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PM BARRE

AMB. HARTMAN

FM GUIRINGAUD

AMB KOSCIUSKO-MORIZET

9/16/77

THE WHITE HOUSE
WASHINGTON

- > CONCORDE - FRENCH THREATS
- > NON-PROLIF -> PAKISTAN -> PLATELOR
FUEL CYCLE
- > AFRICA
- > ARMS CONTROL - SALT - MBAR - UN
- > VISIT - M. Herand - Chirac - Nuech
- > PANAMA - THANKS
- > FRG/JAPAN - STIMULUS
- > MTN
- > ECON STABILIZATION PROGRAM
GNP +2% INF > 9% - Un Em 6%
Exch rates
- > ZAIRE - MOBUTU - NGURA
- > M.I.D EAST - 242/338 - PLO
- > Airbus - Anderson bill
- > Nuc Fuel Cycle - USSR - Non govt
a) Freedom of supply b) Non govt
c) Freedom of supply d)
- "organized freedom of trade" —
not protectionism
- > CTB - no help from others (?)

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Call to Schmidt
9:30 9/16/77

THE WHITE HOUSE
WASHINGTON

Indirect thru Switz

No release

— 2 ltrs

— Not public involvement
of Neutron

— Brussels - a few
countries might raise ?'s

— OK for HS to reveal call
re terrorists

— Sit in Lance?

INFCE - Soviets will participate
→ expert level

not prejudice other issues
(supply)

Continue London Suppliers group
(safeguards)

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 14 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

BERT LANCE

Jim McEntyre, for

SUBJECT:

Briefing Paper for the September 16, 1977
Meeting with the Advisory Committee on
Federal Pay

Attached is the briefing paper requested in Tim Kraft's
memo of September 9, 1977 for the meeting with the
Advisory Committee on Federal Pay scheduled for the
Cabinet Room of the White House at 2:00 P.M. on Friday,
September 16, 1977.

Attachment

SEP 17 1977

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THE PRESIDENT HAS SEEN:
September 14, 1977

2:00 PM

Q

MEETING WITH THE ADVISORY COMMITTEE ON FEDERAL PAY

Friday, September 16, 1977
2:00 P.M. (10 minutes)
The Cabinet Room

From: Bert Lance

Jim McIntyre, for

I. PURPOSE

To discuss the recommendations which the Federal Pay Comparability Act requires this Committee to submit to you, and which you are required to consider before reaching a decision on the October Federal pay adjustment.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: The Advisory Committee consists of three distinguished non-government labor relations experts, whose role is to give you independent advice on the size of the annual comparability pay raise and other Federal employee compensation matters. The Chairman, Jerry Rosow, is President of the Work in America Institute, Inc., a former Assistant Secretary of Labor and a former official of Exxon Corporation. Roy Ash is Chief Executive Officer of Addressograph Multigraph Corporation and a former Director of OMB. Fred Livingston specializes in labor relations and is a senior partner in a prominent New York law firm.

This year your Pay Agent has recommended, and the Advisory Committee has concurred with, a 7.05 percent across-the-board increase. However, their report (attached) expresses concern with certain facets of the pay setting process and they want an opportunity to talk with you about them and about Federal pay generally.

B. Participants: Members of the Advisory Committee on Federal Pay (Jerry Rosow, Chairman; Fred Livingston; and Roy Ash) plus Bert Lance and Scotty Campbell accompanied by Ed Preston (OMB) Eck Muessig (Labor) and Ray Weissenborn (Civil Service Commission).

C. Press Plan: Photo only.

III. TALKING POINTS

- A. First of all, I want to assure you that I have received your draft report and am aware of your role in this process.
- B. I also want you to know that I appreciate your willingness to expand the Committee's role in the comparability process as outlined in the Executive order I recently signed (E.O. 12004 attached).
- C. From your experience on this Committee, I would like to hear your assessment of the Federal pay system and the pay proposal it has produced.

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for Preservation Purposes**

Postal -
1972 = + 9% compounded
Blue collar

+ 8.9% / yr
EP 8 - local
= 8 national

Comparability - since 1962
law - 1970
60% civilian emp covered
(not Post Office & blue collar)
Total bid \$41B = 14 mil
6 mos lag - data → decision
70.5% → +45% since 1971
private pay +55%

1977 Report of the
ADVISORY COMMITTEE ON FEDERAL PAY

SUMMARY OF MAJOR RECOMMENDATIONS

- o The Committee agrees with the Pay Agent that this year's increase should be 7.05 percent.
- o In view of the agreement between the Federal Employees Pay Council and the Pay Agent, the Committee agreed that the increase should be distributed across-the-board. (However, it does not generally favor across-the-board increases and urged against repetition in future years.)
- o The Committee concurred with the Pay Agent's decision to expand the BLS survey to more industries and smaller size establishments. It also recommended that in the future, steps be taken to add another industry (accounting firms) and increase the number of jobs being surveyed.
- o In response to the Employees Pay Council's recommendation, the Committee stated that no adjustment should be made in this year's pay increase to compensate for the time lag between the time of the survey of private sector salaries and the date of the pay increase. However, it recommended establishment of a joint task force to review the entire issue of time lag.
- o Next year and in successive years, the link between General Schedule pay increases and executive, legislative, and judicial pay should be resumed.

REPORT ON THE FISCAL 1978 PAY INCREASE UNDER
THE FEDERAL STATUTORY PAY SYSTEMS

Annual Report of the
Advisory Committee on Federal Pay
September 6, 1977

ADVISORY COMMITTEE ON FEDERAL PAY
1730 K STREET, N.W.
WASHINGTON, D.C. 20006

September 6, 1977


The President
The White House
Washington, D.C. 20500

Dear Mr. President:

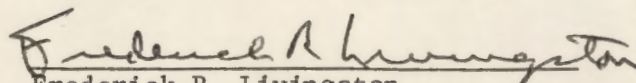
The Advisory Committee on Federal Pay has the honor of submitting to you its sixth annual report. The report incorporates our findings and recommendations with respect to the Fiscal 1978 pay adjustment for approximately 1.4 million Federal civilian employees.

The Committee hopes that our recommendations will prove useful to you in arriving at your decision.

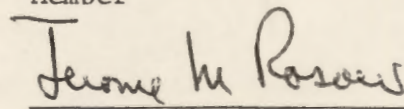
Respectfully submitted,



Roy L. Ash
Member



Frederick R. Livingston
Member



Jerome M. Rosow
Chairman

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I. INTRODUCTION

Recommendations of the Advisory Committee on Federal Pay regarding the Fiscal 1978 salary adjustment for approximately 1.4 million civilian white-collar government employees covered by the Federal Pay Comparability Act of 1970 are contained in this, the sixth annual report of the Committee. About 2 million members of the Armed Forces receive the same percentage increase in pay as the General Schedule, Bureau of Medicine and Surgery of the Veterans' Administration, and Foreign Service employees covered by the comparability legislation.

II. RELATIONS BETWEEN THE PARTIES

During much of the past year there were no AFL-CIO members on the Federal Employees Pay Council and there were no meetings between the Pay Council and the President's Agent. With the return of the AFL-CIO to the Council, meetings resumed on June 15, with several changes in membership. The Pay Agent principals were all new because of the change in Administration. With election of new officials by the American Federation of Government Employees and the National Federation of Federal Employees, three of the five members of the Pay Council served for the first time.

Our Committee has been heartened by the improvement in relations. The improvement appears to result from several developments: (1) A pledge in the Pay Agent's letter of May 24 that alternative plans would be adopted "only because of national emergency or economic conditions affecting the general welfare, requiring Presidential initiatives affecting the general economy." (2) Agreement to add the Secretary of Labor as a third member of the Pay Agent. (3) Greatly increased attendance and participation in meetings by principals from both sides. This signifies the importance that each side attaches to the process and facilitates decision making. The principal initiative to improve the climate of labor-management relations came from the Pay Agent, with the new Director of the Office of Management and Budget, the new Chairman of the Civil Service Commission, and the new Secretary of Labor taking major steps to bring a new spirit and light and air into the discussions.

The new relationship must be carefully nurtured. The Committee was disappointed by the fact that the Federal Employees Pay Council still expresses substantial distrust of the Agent, especially at the staff level.

We concur with the President's judgment not to invoke an alternative plan; in our view, the factors that would justify such a plan are not present this year.

Role of Non-FEPC Organizations

The problem of informing representatives of employee organizations that are not members of the Federal Employees Pay Council was reduced somewhat this year by the fact that meetings between the Pay Agent and the Pay Council were open to the public. In addition, there was a briefing of these organizations regarding this year's pay proposals. Nevertheless, the organizations not represented on the Pay Council continue to press for a greater voice before pay decisions are made, and it is the Committee's view that these organizations should be heard prior to formulation of final positions.

III. CHANGE IN COMMITTEE RESPONSIBILITIES

The Executive Order that added the Secretary of Labor to the President's Agent also expanded the role of the Advisory Committee. The Order (12004), signed by the President on July 20, 1977, states:

"Sec. 204.(a) The Advisory Committee on Federal Pay shall advise the President of its own opinion on any unresolved issues referred to it by the President's Pay Agent or the Federal Employees Pay Council. The Advisory Committee shall inform the President's Pay Agent and the Federal Employees Pay Council of its opinion on such issues as soon as practicable. To facilitate the exercise of this authority and the early resolution of such issues, the Advisory Committee shall attend, or be represented at, meetings between the President's Pay Agent and the Federal Employees Pay Council, and moderate and direct the discussion."

Because of the recency of this Order, the Committee could not commence its expanded role with respect to this year's discussions of the proposed pay adjustment. Requests to give opinions on two issues--scope and time lag--came only at the end of discussions regarding this year's pay change. Even an immediate statement of Committee views would have come too late for "early resolution of such issues." We, therefore, notified the Agent and the Council that we would include our recommendations with respect to these two issues in this report to the President.

The Committee has retained an experienced mediator, Mr. John N. Gentry, to represent it in moderating and directing discussions between the President's Agent and the Pay Council regarding next year's pay adjustment.

IV. THE ISSUES

The Pay Agent and the Federal Employees Pay Council disagree over two issues--scope of the survey of private sector pay to be used in measuring comparability, and compensating for the time lag between this survey and the effective date of the Federal pay increase. They agreed on a uniform percentage increase in all white-collar pay grades, but this distribution of the increase is disputed by employee organizations not represented on the Pay Council.

Scope of Comparisons

The parties are in dispute as to the propriety of enlarging the scope of this year's survey of private sector pay. Continuation of the salary survey scope utilized in the past would have resulted in a 7.46 percent increase--four-tenths of a percentage point, or \$200 million, more than the 7.05 percent increase called for by the expanded survey scope recommended by the Pay Agent.

The Federal Pay Comparability Act of 1970 requires that "Federal pay rates be comparable with private enterprise pay rates for the same levels of work" (Section 5301(a)(3)). This implies that the survey of private sector pay should be as broad as practicable, and there have been efforts for several years to broaden scope, as recognition grew that to continue scope limitations was probably a false economy. The Comptroller General, in a report to the Congress issued in May 1973, recommended "That the Director, OMB, and the Chairman, CSC, (1) redesign the survey universe to cover the broadest feasible representation of the non-Federal sector and (2) after testing and evaluation of the new design, implement the design changes which can be made administratively and propose to the Congress legislation to broaden the comparability principle . . . to enable inclusion of State and local governments."

The Federal Employees Pay Council opposes basing this year's pay increase on the expanded scope but states that it is "not opposed to scope expansion per se." It says, "We have constantly recommended that the scope of the survey be sufficiently broad to assure collection of data from the private sector that matches job levels of the Federal Government." Its opposition to use of the expanded scope in this year's pay determination is based on "continued piecemeal application of arbitrary negative changes in an ever-changing search for comparability," and the Council's lack of opportunity to test the effect of "various segments of the expanded scope." The Council, as well as the Association of Government Accountants, criticizes particularly the failure to make one scope change--namely, addition of public accounting firms to the survey.

The Advisory Committee recognizes that the time available this year for discussion of the scope expansion was limited since the Pay Council was not reconstituted until June. Nevertheless, in view of the implied reference in the law to broad coverage and the fact that 1976 data based on the expanded scope were published by the Bureau of Labor Statistics in November 1976, the Committee does not feel that a delay in adopting the expanded scope is justified. The expanded scope has been tested, and the BLS selected and collected data from the establishments to be included in the expanded scope in a manner that was consistent with methods used in the narrower survey.

Accordingly, we endorse use of the broadened scope in determining this year's pay increase. At the same time, we recommend that the following steps affecting the industrial and occupational scope of the survey should be embarked on immediately:

- (1) A statement of the ultimately desirable scope of the survey of pay in the private sector in terms of both industry and size of establishment should be developed within the next few months--hopefully by the end of this calendar year. If possible, this statement should include a tentative timetable for any further expansion, so as to avoid making changes on a piece-meal basis.
- (2) Steps should be concluded as rapidly as possible to add accounting firms to the survey. The job descriptions should be tested in 1978 and public accounting firms added to the 1979 survey.
- (3) Of utmost importance is rapid expansion of the key job sample. The Civil Service Commission has revealed a plan to increase the jobs studied in the private sector by about 50 over a period of about 5 years. This is too slow, considering the costs and equities involved. This expansion should be essentially completed within 2 years at the most, with highest priority given to jobs in the broad occupational (PATCO) categories and grades in which coverage is now weakest and employment is substantial.
- (4) The general plan to govern the addition or revision of job definitions, requested by the Pay Council, should be developed, if possible by November 15, so that steps (2) and (3) can proceed expeditiously.

Time Lag

The Advisory Committee continues to believe that the present arrangement whereby Federal pay is raised in October to levels prevailing in the private sector in the preceding March falls short of comparability, especially in periods of rapid increase in private sector pay. Both the Committee and the Comptroller General have criticized this 6-month time lag in the past. The Agent has committed itself to study and resolve the issue during the coming year.

Despite our belief the lag is too great, the Committee is not prepared at this time to support the two-pronged proposal of the Federal Employees Pay Council for an immediate adjustment for 3 months of the

time lag, with a task force to consider ways of compensating for the remaining 3 months of the lag. There are insufficient data to support the Pay Council's proposals in toto. However, we do endorse the idea of a joint task force to deal with the entire issue of time lag, with a report to be completed by November 15. If agreement is not reached by the principals, the issue can, of course, be referred to the Advisory Committee. Among the topics that the task should look into are (a) legislative history, (b) various ways of estimating a time lag correction with a reasonable degree of accuracy, and (c) timing and methods for most equitably achieving the desired result.

The November 15 deadline is proposed for two reasons: (1) A later decision cannot be taken into account in plans for next year's budget. (2) The new Executive Order is designed to lead to expeditious resolution of issues so as to avoid delaying all decisions until time has run out.

The Uniform Pay Adjustment

At the urging of the Pay Council, the Agent agreed that this year each grade should receive the same percentage increase. Based on the expanded survey scope, this would be 7.05 percent. This is the average derived from payline computational procedures adopted in 1976; strict adherence to those procedures would result in increases varying from 6.26 percent in Grade GS-7 to about 9.8 percent in Grade GS-15.

The Agent states that its agreement to a uniform percentage increase is "on a one-time basis, pending a review of aspects of the comparability methodology during the coming year." It further states that it has "some question concerning the equity of the distributional pattern produced by strict application of the established methodology. . . . while we accept the validity of the methodology developed for the 1976 adjustment, we believe it appropriate to reexamine some aspects of it in the coming year."

Even though the Agent and the Pay Council are agreed on this issue, representatives of Federal professional organizations have been unanimous in their criticism of the uniform percentage increase. They charge that is not in accord with legislative intent and contend that the uniform percentage increase takes \$80 million away from workers in the upper GS grades and redistributes it to workers in Grades 2 to 11.

The Committee reluctantly endorses the agreement between the Pay Agent and the Pay Council for the following reasons:

- (1) The relationships between the Agent and the Pay Council have improved, and agreement on this uniform percentage increase is a major concession that the Pay Council has been able to win from the Agent.

- (2) In the absence of overwhelming reasons, the Committee believes that it should not recommend reversal or modification of an agreement.
- (3) A uniform percentage increase does not result in as great a compression as a uniform across-the-board dollar increase.
- (4) The Agent has stated that it is agreeing to a uniform percentage increase "on a one-time basis."
- (5) The Pay Council accepts the principle that in the future there will be differential increases between grades and levels of work based on comparability.

Since both parties agree that there should be appropriate differences between grades, we are confident that the uniform percentage increase is indeed "on a one-time basis." We would look askance at any suggestion that it be a "two-time thing." Uniform percentage increases represent a departure from true comparability envisaged by the statute. They are inequitable to workers in some grades and impair the government's ability to attract and retain the most competent employees in critical positions.

Linkage With Foreign Service Pay Scales

A representative of the American Foreign Service Association requested the assistance of the Advisory Committee in solving what the Association feels is a "growing problem of pay comparability" between certain Foreign Service grades and Civil Service and military pay. The Association representative proposes a change in the point at which General Schedule and Foreign Service pay is linked. It also has urged adding to the BLS PATC survey, jobs that are comparable with the Foreign Service.

The Advisory Committee does not have sufficient information to make recommendations regarding this issue. It was first presented to the Committee in 1972; at that time, we urged discussion and review by the Assistant Secretary of State for Administration. We repeat this recommendation and urge the Pay Agent to initiate such discussion in the hope that action can be taken during the coming fiscal year.

V. THE CONTINUING PROBLEM OF EXECUTIVE, LEGISLATIVE, AND JUDICIAL PAY

The Advisory Committee regrets this year's suspension of the tie established by the Executive Salary Cost-of-Living Adjustment Act of 1975 (P.L. 94-82) whereby Executive Schedule salaries, as well as

salaries of members of Congress and Federal judges, would be increased by the same percentage as the General Schedule. It hopes that this tie will not be further weakened in coming years.

As we have frequently pointed out, failure to adjust upper level salaries is inequitable to occupants of these positions. More important, while top Federal pay can never be expected to equal that in the private sector, there are limits to the size of the gap that can be sustained without seriously undermining the ability of the Federal Government to attract and retain top level judicial, legislative, managerial, scientific, and other professional talent. Moreover, if top pay remains unchanged for several years, as during the early 1970's, history will repeat itself. We will have learned nothing from recent experience. The inevitable outcome will be severe pay compression, accelerated early retirement of top executives, and other serious pay inequities. Finally, it will once again require a substantial catch-up increase at the time of the next Quadrennial Commission in 1980. Such an increase would be so large as to be politically difficult, if not unacceptable. This, of course, has been a serious political problem for the Congress during 1977. However, the Advisory Committee urges the President to encourage the Congress to permit the 1975 Executive Salary Adjustment Act to remain operational next year and in successive years. Thus, pay for executive, legislative, and judicial personnel in these categories will keep pace with the average change in salaries for the General Schedule.

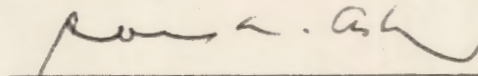
VI. RECOMMENDATIONS

In summary, the Advisory Committee makes the following recommendations:

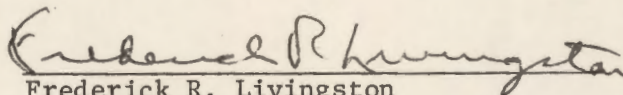
- (1) This year's pay increase should be 7.05 percent, the amount determined on the basis of the expanded scope of the Bureau of Labor Statistics survey of pay in the private sector.
- (2) Steps should be taken as soon as possible to state the maximum scope of the private sector pay survey, to add accounting firms to the survey, and, within 2 years, to buttress the survey by the addition of about 50 jobs to the key job sample.
- (3) No adjustment should be made in this year's pay increase to compensate for the time lag between the survey of private sector salary scales and the Federal pay increase. However, a joint task force should be established to review the entire issue of time lag, with a report and recommendations to be completed by November 15.

- (4) In view of the agreement between the President's Agent and the Federal Employees Pay Council on this issue, this year's pay increase should consist of a uniform percentage increase for all pay grades.
- (5) The question of the Foreign Service pay system linkage with the General Schedule should be reviewed by the Pay Agent with the Assistant Secretary of State for Administration.
- (6) Further efforts should be made to increase meaningful consultation with the Federal employee organizations that are not members of the Federal Employees Pay Council.
- (7) Next year and in successive years, the link between General Schedule pay increases and executive, legislative, and judicial pay should be resumed.

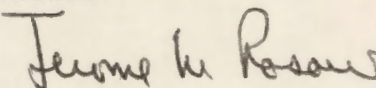
Respectfully submitted,



Roy L. Ash
Member



Frederick R. Livingston
Member



Jerome M. Rosow
Chairman

APPENDIX

Memorandum of August 18, 1977, to the Pay Agent and the Federal Employees Pay Council.

Organizations Discussing the President's Agent's Report with the Advisory Committee on Federal Pay

ADVISORY COMMITTEE ON FEDERAL PAY
1730 K STREET, N.W.
WASHINGTON, D.C. 20006

August 18, 1977

MEMORANDUM FOR

The President's Pay Agent

The Federal Employees Pay Council

Two issues were submitted to the Advisory Committee for an advisory opinion. Under the President's Executive Order 12004, the Advisory Committee is to state its opinion on unresolved issues submitted to it when such opinions would "facilitate . . . the early resolution of such issues." These issues were submitted to the Advisory Committee after the conclusion of formal discussions between the Pay Agent and the Federal Employees Pay Council. Accordingly, the Advisory Committee will include its recommendations on each of these two issues in its report to the President.

This action does not imply that the Advisory Committee will necessarily follow the same procedure in the future. When unresolved issues are submitted to the Committee, in timely fashion, that will facilitate the "early resolution" of such issues between the parties, the Advisory Committee will render its opinion on such issues as soon as practicable.

Jerome M. Rosow
Chairman

ORGANIZATIONS DISCUSSING THE PRESIDENT'S AGENT'S REPORT
WITH THE ADVISORY COMMITTEE ON FEDERAL PAY

President's Pay Agent

Office of Management and Budget

Edward F. Preston
Jerry Julius

Civil Service Commission

Frederick A. Kistler
Richard Hall

Department of Labor

Eckehard Muessig

Federal Employees Pay Council

AFGE--Kenneth T. Blaylock
Joseph D. Gleason
George Hobt
Stephen Koczak

PED, AFL-CIO--Richard Galleher

NFFE--James M. Peirce

NTEU--C. James Spellane

Other Employee Organizations

American Foreign Service
Association, Bill Veale

National Association of
Government Employees,
Stanley Lyman and
Alan Whitney

Association of Government
Accountants, Al Reynolds,
Robert Oakley, and
Leslie Thorn

National Federation of
Professional Organizations,
James D. Hill

Federal Professional
Association, E. M. MacCutcheon,
Ewan Clague, and Lionel Murphy

Executive Order 12004

July 20, 1977

Relating to Federal Pay Administration

By virtue of the authority vested in me by Sections 5304 and 5305 of Title 5 of the United States Code, and as President of the United States of America, in order to improve the process by which the President receives advice relating to the Federal pay systems, Executive Order No. 11721 of May 23, 1973, relating to Federal pay administration, is hereby amended as follows:

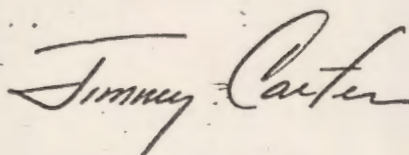
SECTION 1. Section 201 is amended to read as follows:

"Section 201. The Secretary of Labor, the Director of the Office of Management and Budget, and the Chairman of the United States Civil Service Commission are hereby designated to serve jointly as the President's agent under section 5305 of title 5, United States Code, and shall be known in this capacity as the President's Pay Agent."

SEC. 2. A new Section 204 is added as follows:

"Sec. 204. (a) The Advisory Committee on Federal Pay shall advise the President of its own opinion on any unresolved issues referred to it by the President's Pay Agent or the Federal Employees Pay Council. The Advisory Committee shall inform the President's Pay Agent and the Federal Employees Pay Council of its opinion on such issues as soon as practicable. To facilitate the exercise of this authority and the early resolution of such issues, the Advisory Committee shall attend, or be represented at, meetings between the President's Pay Agent and the Federal Employees Pay Council, and moderate and direct the discussion.

"(b) The President's Pay Agent, in its annual report to the President pursuant to section 5305 of title 5, United States Code, shall include a full discussion of each issue upon which the Advisory Committee has submitted, in accordance with subsection (a), an opinion."



THE WHITE HOUSE,
July 20, 1977.

[FR Doc. 77-21415 Filed 7-21-77; 12:12 pm]

THE WHITE HOUSE
WASHINGTON

September 16, 1977

Stu Eizenstat
Bob Lipshutz

The attached CAB Decision was returned in the President's outbox today. The signed original has been forwarded to Bob Linder for appropriate handling. This copy is for your information.

Rick Hutcheson

cc: Bob Linder

RE: APPROVEL OF CAB DECISION
25218, 29074, 26966, 29281

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
	/	LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE

WASHINGTON

September 9, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
BOB LIPSHUTZ

Stu
BZ

SUBJECT:

CAB Decision: Pan American World Airways, Inc., Docket 25218; Braniff Airways, Inc., Docket 29074; Braniff Airways, Inc., Docket 26966; Braniff Airways, Inc., Docket 29281

This CAB order allows Pan American and Braniff to add Dallas/Fort Worth as a coterminal point for certain flights to Latin America. It also allows Braniff to serve an intermediate point other than Lima, Peru, on flights to and from Brazil, so long as the intermediate point is south of Panama.

All the interested agencies recommend that you approve the order. Since there are no significant defense or foreign policy issues, they also recommend that you sign the attached letter in order to preserve the opportunity for judicial review.

Approve

✓

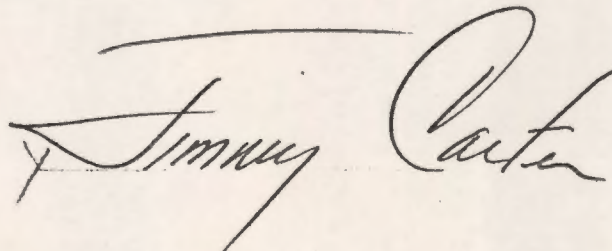
Disapprove

THE WHITE HOUSE
WASHINGTON

To Chairman Alfred Kahn

I have reviewed your proposed order (Dockets 25218, 29074, 26966, 29281) dated July 21, 1977, which amends the certificates of Pan American World Airways and Braniff Airways for route segments to Latin America. I have determined that the proposed order does not affect foreign policy or national defense interests. Therefore, I shall approve the Board's decision in this case.

Sincerely,

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is fluid and cursive, with a long horizontal line extending from the top of the "J" across the top of the word "Carter".

The Honorable Alfred Edward Kahn
Chairman
Civil Aeronautics Board
Washington, D.C. 20428

2:30 p.m.

9/14/77

THE PRESIDENT HAS SEEN

THE WHITE HOUSE
WASHINGTON

Mr. President

I think this letter
is self-explanatory. Be
careful on the religious
aspects. You don't want
to sound like a "sanctimonious
S.O.B."

Jack is inclined to do
a symposium piece. Don't
let him do it.

Joey

Jody
tentatively
2:30 (30 min)
Friday
Sept. 16
from

JACK ANDERSON
1401 16th Street, N.W. Washington, D.C. 20036

August 31, 1977

from *set up 2d*
week
Sept

File
Interview
request

C

Dear Jody:

This will confirm in writing a request I made earlier to speak to the President.

The biggest question I encounter on my trips around the country is "What is President Carter Really Like?"

Parade Magazine would like me to talk to the President about his innermost feelings insofar as he's willing to discuss them in an attempt to answer the question.

As a religious man myself, I would like to talk to the President, for example, about his faith in both God and America. I will ask him about the anxiety he felt after his defeat by Lester Maddox.

I would also like to hear from him more about his motivation, first in seeking the Presidency and now in conducting it.

We would also like a cover picture of the President and First Lady doing something together -- perhaps playing tennis if they would be willing.

You said that an interview might be arranged this week. I hope we can do it at the President's earliest convenience.

Cordially,

[Signature]
Jack Anderson

Mr. Jody Powell
The White House
Washington

Electrostatic Copy Made
for Preservation Purposes

1:00 PM

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

September 15, 1977

TO: The President

FROM: Walt Wurfel *W*

RE: Your Q & A Session with Non-Washington Editors/News
Directors, 1:00 p.m., Friday, September 16, Cabinet Room

This group will meet in the morning with Ambassador Bunker, Larry Gilson and Joan Claybrook. After seeing you they will be briefed by Esther Peterson. (An agenda is attached.)

They come from 22 states. Twenty-six are newspaper or editorial page editors. Two are broadcasters. (A list of participants is attached.)

This is the fourth briefing with an emphasis on attendance from states where support for the Panama Canal treaties is in particular doubt. We will continue this emphasis until Congress votes on the treaties.

A photo pool will be in the Cabinet Room the first two minutes. No White House reporting pool will cover any session. The whole day is on the record.

**Electrostatic Copy Made
for Preservation Purposes**

X

THE WHITE HOUSE

WASHINGTON

A G E N D A

September 16 Briefing
Editors and News Directors

8:30 - 8:40 a.m.	Coffee and Donuts
8:40 - 9:00 a.m.	Welcome WALT WURFEL Deputy Press Secretary
9:00 - 9:50 a.m.	JOAN CLAYBROOK Administrator National Highway Traffic Safety Administration "THE GOVERNMENT'S ROLE IN AUTO- MOBILE AND HIGHWAY SAFETY"
9:50 - 10:00 a.m.	PATRICIA BAUER Deputy Editor White House News Summary
10:00 - 10:50 a.m.	LARRY GILSON Associate Assistant to the President Office of Intergovernmental Affairs "FEDERAL GRANTS-IN-AID REFORM"
10:50 - 11:00 a.m.	DALE LEIBACH White House Press Advance
11:00 - 11:15 a.m.	Break
11:15 - 12:00 p.m.	ELLSWORTH BUNKER Senior Negotiator Panama Canal Treaties
12:00 - 12:30 p.m.	Buffet Lunch
12:30 - 12:45 p.m.	En Route to Cabinet Room
12:45 - 1:00 p.m.	JODY POWELL Press Secretary to the President
1:00 - 1:30 p.m.	Q and A with PRESIDENT CARTER
1:30 - 2:15 p.m.	Filing Time
2:15 - 3:15 p.m.	ESTHER PETERSON Special Assistant to the President for Consumer Affairs "AGENCY FOR CONSUMER PROTECTION"

THE WHITE HOUSE

WASHINGTON

PARTICIPANTS
SEPTEMBER 16 BRIEFING

ALABAMA: Brandt Ayers, editor, Anniston Star. Early supporter; sympathetic to Lance, has not called for resignation; endorsed Panama treaties.

ARKANSAS: Thomas Gillespie, publisher, The Atkins Chronicle. Small weekly. Does not editorialize, but was personally offended that you did not speak to Nat'l Newspaper Assn. this year.

CALIFORNIA: Art Volkerts, editor, Santa Rosa Press-Democrat. Conservative editorially; Volkerts is a Democrat. Endorsed Ford, but favorable to you since January.

CONNECTICUT: Joseph A. Owens, editor of editorial page, Bridgeport Post. Pro-Administration; called for Lance resignation; pro-Panama treaties.

FLORIDA: Jim Squires, editor, Orlando Sentinel-Star. Conservative; endorsed Ford. Called for careful consideration on Panama treaties. Feels Lance situation reflects on you, has not called for his resignation.

Everett H. Aspinwall, Jr., general manager and news director, WPBR Radio, Palm Beach.

GEORGIA: Jerry Cannady, news director, WALB-TV, Albany.

Jack Spalding, editor, Atlanta Journal.

ILLINOIS: Bob Hartley, editor, Lindsay-Schaub Newspapers, Inc. Republican. Endorsed you in '76. Eight paper chain. Pro-agriculture, union and Panama treaties. Lance an important issue.

IOWA: John McCormally, editor, Hawk Eye, Burlington. First paper to endorse you. Has called for Lance resignation; thinks issue is being handled poorly by Administration. Supports Panama treaties.

LOUISIANA: Peggy Garvey, editor, Gris-Gris, Baton Rouge. Weekly. Very favorable to you from campaign to present. Heavy emphasis on politics; considered required reading for State Legislature.

MARYLAND: John Panagos, editor, Gaithersburg Gazette. Suburban weekly, favorable to you.

Lawrence Ewing, editor, Prince George's Journal, Laurel. Suburban weekly.

MISSISSIPPI: Wayne W. Weidie, editor, Ocean Springs Record. Staunch Republican, but supported you in '76. His weekly column appears throughout Mississippi. Major employer in area is shipbuilding industry. Good friend of Republican Congressman Trent Lott.

NEBRASKA: Doug Peterson, editor, Hastings Daily Tribune.

NEVADA: Don Digilio, editor, Las Vegas Review-Journal. Largest circulation in Nevada. Conservative; receptive to you. No editorial stance on Panama.

NEW JERSEY: Robert A. Dubill, executive editor, Camden Courier-Post. Dubill is an attorney, writes legal column. Gannett paper.

NEW YORK: Joseph A. Cooley, editor, Troy Times-Record. Conservative. Withholding endorsement of Panama treaties for further consideration, feels it will be an uphill battle.

OKLAHOMA: John Clapes, managing editor, Oklahoma Journal, Oklahoma City. Established by Democrats to counter arch-conservative Daily Oklahoman. Editor supports you, including Panama treaties. Nothing editorially on Lance.

PUERTO RICO: Andrew Viglucci, editor, San Juan Star. Scripps-Howard paper.

SOUTH CAROLINA: William L. Kinney, Jr., editor and publisher, Marlboro Herald-Advocate. Kinney is ultra-conservative; pro-Thurmond. Consistently negative toward Administration's policy, including Lance and Panama treaties.

Edward H. Sims, publisher, Editor's Copy Syndicate, Orangeburg. Conservative. Sends editorials to 300 newspapers nationwide.

TENNESSEE: Sam Kennedy, president and publisher, Columbia Daily Herald. First paper in Tenn. to endorse. Hosted reception for Jack during primary. Son was alternate Carter delegate.

TEXAS: Varee Shields, editor, Houston Forward Times. Black weekly. Generally favorable. Pro-treaties.

Jim Wisch, editor, Texas Jewish Post, Ft. Worth. Jewish weekly.

VIRGINIA: Lea Campbell, executive editor, Blacksburg Sun. Conservative. Likes Administration image, question substance.

WASHINGTON: Herbert Robinson, editor of editorial page, Seattle Times. Pro-treaties, generally negative to you.

Henry Gay, editor, Mason County Journal, Shelton. Conservative. Generally negative.

THE WHITE HOUSE
WASHINGTON

September 16, 1977

Stu Eizenstat
Bert Lance

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. The signed original has been given to Bob Linder for distribution.

Stu, please inform Chairman Campbell of the President's decision.

Rick Wutcheson

cc: Bob Lipshutz
Jack Watson
Charles Schultze

RE: INCREASING PART-TIME EMPLOYMENT
IN THE FEDERAL GOVERNMENT

THE WHITE HOUSE
WASHINGTON

9/15/77

Mr. President:

Watson, Schultze, and Lipshutz concur with Eizenstat and Lance. Costanza would prefer immediate implementation of the full-time equivalent accounting system. Jordan has no comment.

As the attached memo notes, agencies are nearly unanimous in their approval of the full-time equivalent concept. Schlesinger observes that starting out with only a pilot project would delay implementation of the concept, which DoE supports. Commerce, Treasury and State stress their opposition to mandatory quotas for part-time workers.

--Rick

THE WHITE HOUSE
WASHINGTON

9/15/77

Mr. President:

ONE SIGNATURE NEEDED on
attached memorandum, which
you have approved.

Rick

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION
FYI

*prepare memo to Alan Campbell
from re notifying of*

	MONDALE
	COSTANZA
/	EIZENSTAT
	JORDAN
/	LIPSHUTZ
	MOORE
	POWELL
/	WATSON
/	LANCE
/	SCHULTZE

*Press
decision*

ENROLLED BILL
AGENCY REPORT
CAB DECISION
EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
X	LINDER - dist. memo
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

SEP 14 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BERT LANCE
STU EIZENSTAT

*BLC -
Stu*

SUBJECT:

Increasing Part-time Employment
in the Federal Government

BACKGROUND

The House Post Office and Civil Service Committee is considering legislation (H.R. 1627) which would require Federal agencies to set aside 10% of their positions for part-time workers. This is five times as many part-time workers as are now employed by the Federal Government.

We have opposed this legislation because of its mandatory quota on part-time workers. But part-time employment helps women with family responsibilities, the handicapped, and older workers. In light of these benefits, your campaign commitment to increase part-time employment opportunities, and the support H.R. 1627 enjoys, we believe there is a need to take some initiative to increase Federal part-time jobs.

DISCUSSION

There is some evidence that part-time workers may be more productive and have lower absenteeism and turnover rates than full-time workers. However, there are two drawbacks to greater part-time employment in the Federal Government:

- Part-time employees increase pension, health, training, administrative and other benefit costs for an equivalent number of hours worked. Estimates of this extra cost range from 3-6% per worker.
- For any given level of "full-time equivalent" employment (i.e., 40-hour work weeks) the total number of people employed by the Federal Government will increase if there is greater utilization of part-time workers. The total body count has been the single

most widely reported measure of the size of the Federal bureaucracy, and is the primary means by which we currently control Federal employment.

Any substantial immediate increase in part-time employment must be accompanied by an increase in current personnel ceilings. This would conflict with your public statement that you do not want personnel levels for October 1978 to rise above those of October 1976.

The most effective solution to expanding part-time employment is to change the way we measure personnel ceilings from the number of people to full-time equivalents. At the present time, a part-time worker counts as one full space toward an agency ceiling, even though he may work far less than a 40-hour week. Agencies are naturally reluctant to give up spaces to part-time workers when they can have full-time workers occupy those same spaces. Under a full-time equivalent personnel ceiling, agencies would be allocated a certain number of 40-hour work weeks (full-time equivalents) as opposed to positions. Agencies would not "lose out" for hiring part-timers as they do now.

A number of agency heads have commented on an earlier version of this memorandum. They all support expanding part-time employment opportunities and are nearly unanimous in their approval of the full-time equivalent concept. Almost all express a preference for an initial test of the FTE system in some agencies before it is used as a government-wide control mechanism. Almost all also favor sending of the Presidential memorandum which is discussed below and attached.

RECOMMENDATIONS

We propose three measures to move toward greater use of part-time workers in the Federal Government:

(1) We recommend that you authorize the creation of a new accounting system to measure full-time equivalents. CSC strongly supports the establishment of this system. The system will take time to design, and all agencies need to be consulted. Aside from the very limited experiments described in No. 2 below, the new accounting system would initially not be used to control employment, and we contemplate no general increase in current personnel ceilings at this time.^{1/}

^{1/} While the new system will require somewhat more work and computer time, the added costs are not material.

(2) We recommend that you grant CSC authority to authorize limited experiments in part-time employment with selected agencies or agency subdivisions. This would provide an opportunity to responsibly develop the FTE system as well as possible other part-time employment proposals. The CSC would not be allowed to approve any experiment which increased the number of employees on a full-time equivalent basis for any agency. We contemplate only very minor increases in the government-wide employee body count (less than 4,000 part-time employees out of a total employment force of 2.8 million).

(3) As an interim measure, we recommend that you send the attached memorandum to all agency heads requesting that they increase part-time employment within existing ceilings. This will probably result in only minor increases in use of part-time employees, but it will affirm our commitment.

Once the FTE system is developed, it will be possible to use it to control personnel, and thereby to allow greater use of part-time personnel in the Federal Government. We should point out that any government-wide shift to the new system as a control mechanism would mean some increase in the number of Federal employees (an outside limit could be imposed). The effects of such an increase could be negated at some future date by explaining that the number of full-time employees and the total number of hours worked by all employees had not increased, and that the body count increase was due to a desire to help persons with family responsibilities, the handicapped, and elderly with part-time work opportunities.

However, you do not need to decide at this time whether to actually use the full-time equivalent system to control government-wide employment. When we have developed a record of progress in holding down employment, and have seen the results of the CSC experiments, then you can decide whether to use the full-time equivalent system to actually control employment and allow for more part-time employment. If you do agree to develop the system, there will be greater pressure in the future to use it as the personnel control mechanism.

If you agree with this approach, we will work with Jody Powell on an appropriate announcement.

We should point out that CSC's position is that the full-time equivalent system should be implemented government-wide as a ceiling control in place of body count immediately (CSC acknowledges that it will take an initial period to develop). Chairman Campbell believes that this is the best way to significantly increase part-time employment.

DECISION

1. Full-time Equivalent Accounting System

- (a) Develop Full-time Equivalent Accounting System now, but not use as a general ceiling control yet, pending development, interagency/OMB review, and Presidential approval.

☒ Approve (OMB and DPS Recommend) ☐ Disapprove (CSC Recommends)

- (b) Create Full-time Equivalent Accounting System now, and implement as a government-wide ceiling control immediately.

☐ Approve (CSC Recommends) ☐ Disapprove (OMB and DPS Recommend)

2. Authorize CSC to approve limited experiments in part-time employment, on rigid assurance that full-time equivalent employment will not be increased.

☒ Approve (OMB and DPS Recommend) ☐ Disapprove

3. Send attached memorandum to agency heads and make appropriate public announcements.

☐ Approve (OMB and DPS Recommend) ☐ Disapprove

FC

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE HEADS OF
EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Part-time Employment

Part-time workers are an important, but relatively untapped national resource. Older people, those with family responsibilities, the handicapped, students and others who are unable to work full time can be valuable additions to an agency's permanent work force. To assure that we in the Federal Government take advantage of the many talents available, I am asking you to establish innovative programs to expand opportunities for men and women seeking part-time employment.

Such programs should include redesign of jobs and work schedules to open up permanent part-time opportunities, recruitment efforts to attract capable men and women to part-time work, review of rules, regulations, and procedures to eliminate artificial barriers to part-time employment, and pilot and research studies to determine where part-time employees can make the maximum contribution.

I believe that much can be done within existing employment ceilings. The Civil Service Commission will coordinate these efforts and will report to me periodically on the progress achieved and the need for any further actions.

Jimmy Carter

THE WHITE HOUSE

WASHINGTON

Date: August 24 1977

MEMORANDUM

FOR ACTION:

Secretaries: Vance, Blumenthal,
Brown, Andrus, Bergland,
Schlesinger, Kreps, Marshall,
Califano, Harris, Adams, the
Attorney General and Chairman
Campbell - *attached*

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-time
Employment in the Federal Government.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Tuesday

DATE: August 30, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required
material, please telephone the Staff Secretary immediately. (Telephone, 7052)

SE wants to review
Cabinet comments when
they get back

THE WHITE HOUSE
WASHINGTON

SE -
no mark

Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Midge Costanza *attached*
Hamilton Jordan *ne*
Bob Lipshutz
Frank Moore
Jack Watson *ne by Stu - Concur*
Charlie Schultze *Concur*

FOR INFORMATION:

The Vice President
Jody Powell

*csc + Dept + Heads
comment
Recd copy revising?*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-time
Employment in the Federal Government

Date per Lambert

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: ~~Wednesday~~ *Friday*

DATE: August 26, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

OFFICE OF THE SECRETARY

August 30, 1977

FROM THE OFFICE OF SECRETARY
OF LABOR, RAY MARSHALL. *RM*

HAND DELIVERED

THE WHITE HOUSE

WASHINGTON

August 24, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BERT LANCE
STU EIZENSTAT

BL
Stu

SUBJECT:

Increasing Part-time Employment
in the Federal Government

BACKGROUND

The House Post Office and Civil Service Committee is considering legislation (H.R. 1627) which would require Federal agencies to set aside 10% of their positions for part-time workers. This is 5 times as many part-time workers as are now employed by the Federal Government.

We have opposed this legislation because of its mandatory quota on part-time workers. But part-time employment helps women with family responsibilities, the handicapped, and older workers. In light of these benefits, your campaign commitment to increase part-time employment opportunities, and the support H.R. 1627 enjoys, we believe there is a need to take some initiative to increase Federal part-time jobs.

DISCUSSION

There is some evidence that part-time workers may be more productive and have lower absenteeism and turnover rates than full-time workers. However, there are two drawbacks to greater part-time employment in the Federal Government:

- Part-time employees increase pension, health, training, administrative and other benefit costs for an equivalent number of hours worked. Estimates of this extra cost range from 3-6% per worker.
- For any given level of "full-time equivalent" employment (i.e., 40-hour work weeks) the total number of people employed by the Federal Government will increase if there is greater utilization of part-time workers. The total body count has been the single

most widely reported measure of the size of the Federal bureaucracy, and is the primary means by which we currently control Federal employment.

Any substantial immediate increase in part-time employment must be accompanied by an increase in current personnel ceilings. This would conflict with your public statement that you do not want personnel levels for October 1978 to rise above those of October 1976.

The most effective solution to expanding part-time employment is to change the way we measure personnel ceilings from the number of people to full-time equivalents. At the present time, a part-time worker counts as one full space toward an agency ceiling, even though he may work far less than a 40-hour week. Agencies are naturally reluctant to give up spaces to part-time workers when they can have full-time workers occupy those same spaces. Under a full-time equivalent personnel ceiling, agencies would be allocated a certain number of 40-hour work weeks (full-time equivalents) as opposed to positions. Agencies would not "lose out" for hiring part-timers as they do now.

RECOMMENDATION

We propose two measures to move toward greater use of part-time employees in the Federal Government:

(1) As an interim measure we recommend that you send the attached memorandum to all agency heads requesting that they increase part-time employment within existing ceilings. This will probably result in only minor increases in use of part-time employees, but it will affirm our commitment.

(2) We recommend that you authorize the creation of a new accounting system to measure full-time equivalents. CSC strongly supports the establishment of this system. The system will take time to design, and all agencies need to be consulted. The new accounting system would initially not be used to control employment, and we contemplate no increase in current personnel ceilings at this time. 1/

Once the system is in place, however, it will be possible to use it to control personnel, and thereby to allow greater use of part-time personnel in the Federal Government. Any shift to the new system as a control mechanism would mean some increase in the number of Federal employees (an outside limit could be imposed). The effects of such an increase could be negated at

1/ While the new system will require somewhat more work and computer time, the added costs are not material.

some future date by explaining that the number of full-time employees and the total number of hours worked by all employees had not increased, and that the body count increase was due to a desire to help persons with family responsibilities, the handicapped, and elderly with part-time work opportunities.

However, you do not need to decide at this time whether to actually use the full-time equivalent system to control employment. We suggest that we experiment with such a system for two of the smaller agencies. When we have developed a record of progress in holding down employment, and have seen the results of the experiment, then you can decide whether to use the full-time equivalent system to actually control employment and allow for more part-time employment. If you do agree to develop the system, there will be greater pressure in the future to use it as the personnel control mechanism.

If you agree with this approach, we will work with Jody Powell on an appropriate announcement.

We should point out that CSC's position is that the full-time equivalent system should be implemented as a ceiling control in place of body count immediately (CSC acknowledges that it will take an initial period to develop). Chairman Campbell believes that this is the best way to significantly increase part-time employment.

DECISION

Send attached memorandum to agency heads:

_____ Approve
(Recommended)

_____ Disapprove

Create Full-time Equivalent Accounting System now, but not as ceiling control yet, except in two small agencies as an experiment:

_____ Approve
(Recommended)

_____ Disapprove

Create Full-time Equivalent Accounting System now, and implement as a ceiling control immediately:

_____ Approve

_____ Disapprove

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Part-time Employment

Part-time workers are an important, but relatively untapped national resource. Older people, those with family responsibilities, the handicapped, students and others who are unable to work full-time can be valuable additions to an agency's permanent work force. To assure that we in the Federal Government take advantage of the many talents available, I am asking you to establish innovative programs to expand opportunities for men and women seeking part-time employment.

Such programs should include redesign of jobs and work schedules to open up permanent part-time opportunities, recruitment efforts to attract capable men and women to part-time work, review of rules, regulations, and procedures to eliminate artificial barriers to part-time employment, and pilot and research studies to determine where part-time employees can make the maximum contribution.

I believe that much can be done within existing employment ceilings. The Civil Service Commission will coordinate these efforts and will report to me periodically on the progress achieved and the need for any further actions.

Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Midge Costanza
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jack Watson
Charlie Schultze

FOR INFORMATION:

The Vice President
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-Employment in the Federal Government

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: ~~Wednesday~~ Friday

DATE: August 26, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur:☐ No comment.

Please note other comments below:

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THE WHITE HOUSE

WASHINGTON

August 11, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BERT LANCE
STU EIZENSTAT

BL
Stu

SUBJECT:

Increasing Part-time Employment
in the Federal Government

BACKGROUND

The House Post Office and Civil Service Committee is considering legislation (H.R. 1627) which would require Federal agencies to set aside 10% of their positions for part-time workers. This is 5 times as many part-time workers as are now employed by the Federal Government.

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RECOMMENDATION

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Once the system is in place, however, it will be possible to use it to control personnel, and thereby to allow greater use of part-time personnel in the Federal Government. Any shift to the new system as a control mechanism would mean some increase in the number of Federal employees (an outside limit could be imposed). The effects of such an increase could be negated at

1/ While the new system will require somewhat more work and computer time, the added costs are not material.

some future date by explaining that the number of full-time employees and the total number of hours worked by all employees had not increased, and that the body count increase was due to a desire to help persons with family responsibilities, the handicapped, and elderly with part-time work opportunities.

However, you do not need to decide at this time whether to actually use the full-time equivalent system to control employment. We suggest that we experiment with such a system for two of the smaller agencies. When we have developed a record of progress in holding down employment, and have seen the results of the experiment, then you can decide whether to use the full-time equivalent system to actually control employment and allow for more part-time employment. If you do agree to develop the system, there will be greater pressure in the future to use it as the personnel control mechanism.

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We should point out that CSC's position is that the full-time equivalent system should be implemented as a ceiling control in place of body count immediately (CSC acknowledges that it will take an initial period to develop). Chairman Campbell believes that this is the best way to significantly increase part-time employment.

DECISION

Send attached memorandum to agency heads:

_____ Approve
(Recommended)

_____ Disapprove

Create Full-time Equivalent Accounting System now, but not as ceiling control yet, except in two small agencies as an experiment:

_____ Approve
(Recommended)

_____ Disapprove

Create Full-time Equivalent Accounting System now, and implement as a ceiling control immediately:

_____ Approve

_____ Disapprove

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Part-time Employment

Part-time workers are an important, but relatively untapped national resource. Older people, those with family responsibilities, the handicapped, students and others who are unable to work full-time can be valuable additions to an agency's permanent work force. To assure that we in the Federal Government take advantage of the many talents available, I am asking you to establish innovative programs to expand opportunities for men and women seeking part-time employment.

Such programs should include redesign of jobs and work schedules to open up permanent part-time opportunities, recruitment efforts to attract capable men and women to part-time work, review of rules, regulations, and procedures to eliminate artificial barriers to part-time employment, and pilot and research studies to determine where part-time employees can make the maximum contribution.

I believe that much can be done within existing employment ceilings. The Civil Service Commission will coordinate these efforts and will report to me periodically on the progress achieved and the need for any further actions.

THE WHITE HOUSE
WASHINGTON

September 7, 1977

Bert Lance
Stu Eizenstat

Attached for your
information is HEW's comments
on the memo on Increasing
Part-Time Employment in the
Federal Government.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON
August 31, 1977

Bert Lance
Stu Eizenstat

Attached are the Cabinet members' comments on your memo dated August 11, 1977 concerning increasing part-time employment in the Federal Government. Please inform as soon as possible as to whether I should summarize the Cabinet's comments or whether you will revise your memo to include these comments.

Rick Hutcheson

RE: INCREASING PART-TIME
EMPLOYMENT

Summary expected
from Sta & OMB by
Wed 9/7 am

Thurs
9/8
COB

Don W. Conner
OMB

Has for day
Tues

Exp 9/12
Wed

OMB will also
memo also
w/ Sta

Call
Steve Simmons

Exp 9/12
midday

Harry
Adams

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

August 30, 1977

MEMORANDUM FOR: RICK HUTCHESON

FROM: CHRISTINE DODSON *CD*

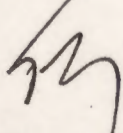
SUBJECT: Increasing Part-Time Employment in
the Federal Government

This is an unsolicited comment on the above topic. We strongly support the initiative to increase Federal part-time jobs and to make them reflect on total body count of an agency proportionately to the hours per week actually employed.

In addition to the social purposes to be served by the encouragement of such employment, part-time workers may assist in relieving the regular overtime load on many agencies where a second shift of a few hours a day would make good economic and morale sense. Under the new guidelines for counting personnel ceilings such an agency would be able to spread two or three openings among many sections and thus prevent or significantly reduce the payment of overtime rates.

EXECUTIVE OFFICE OF THE PRESIDENT
ENERGY POLICY AND PLANNING
WASHINGTON, D.C. 20500

August 30, 1977

MEMORANDUM FOR: RICK HUTCHESON
FROM: FRANK R. PAGNOTTA 
SUBJECT: Eizenstat/Lance Memo of August 11, 1977
Re Increasing Part-time Employment in
the Federal Government

Attached is Secretary Schlesinger's notes and comments
regarding this subject.

Attachment

Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Secretaries: Vance, Blumenthal, Brown, Andrus, Bergland, Schlesinger, Kreps, Marshall, Califano, Harris, Adams, the Attorney General and Chairman Campbell

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-time Employment in the Federal Government.

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 12:00 NOON

DAY: Tuesday

DATE: August 30, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

Please note other comments below:



☐ No comment.

The Department of Energy strongly supports efforts to increase opportunities for part-time employment in the Federal service. Such actions would be beneficial not only to the persons employed but to the Federal government by making available for employment many individuals with specialized skills who could not otherwise enter the job market.

As a minimum, the memo from the President as suggested in the Lance/Eizenstat memo should be sent. However, as indicated in the Lance/Eizenstat memo, in and of itself, such a memo will not lead to a significant increase in part-time employment.

We support the concept of measuring manpower in full-time equivalence. The Department believes that the benefits of changing to a more rational system far outweigh any supposed disadvantages.

Certainly the idea of full-time equivalent control needs refinement and development. A pilot test in two smaller agencies as proposed in the memo may delay implementation on a government-wide basis. If pilot tests are determined to be necessary, however, the Department of Energy would be ready to serve as one of the pilot agencies.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 30 1977

Mr. Rick Hutcheson
Staff Secretary
The White House
Washington, D.C. 20500

Dear Mr. Hutcheson:

In regard to your memorandum of August 24, 1977, we are pleased to offer the following comments on the proposal to increase part-time employment in the Federal Government.

Our experience with part-time employment has been very favorable. Our present utilization of such employment as of June 30, 1977 is 5.3% of total employment. This current total represents an increase of 1134 part-time employees since June 30, 1976. Part of the increase is undoubtedly due to the fact that part-time employees do not count against the full time permanent ceiling which is a more critical factor than is total employment ceiling.

We concur in the proposed memorandum to the Heads of Agencies. We also concur in the proposed Full-time Equivalent Accounting System; however, we would prefer that this system be fully developed and tested prior to implementation.

We appreciate the opportunity to comment on this matter.

Sincerely yours,

Leicester D. Andrews
SECRETARY





DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

AUG 30 1977

MEMORANDUM FOR: Rick Hutcheson, Staff Secretary, The White House

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing
Part-Time Employment in the Federal Government

The Department agrees on the desirability of increasing part-time jobs in the Federal service and, therefore, favors issuing a Presidential Memorandum.

The creation of a new accounting system to measure "full-time equivalency" may be viewed as a desirable management reporting system. We do question what constitutes a "full-time equivalent" employee. If it is defined on the same basis as budgeted man-years, the new system could provide the vehicle for accounting for all manpower expenditures.

If employment ceilings are likewise continued, we believe it would be necessary to retain the "all other" ceiling as a separate category. The rationale for this recommendation is best illustrated by the following: Forest Service employs 33,000 workers on part-time or seasonal work. The "full-time equivalent" for these employees approximate 15,000 man-years. Currently, more than 9,000 of the 33,000 part-time, seasonal employees work substantially full time. Many of the remaining are seasonal workers employed during the summer vacation periods.

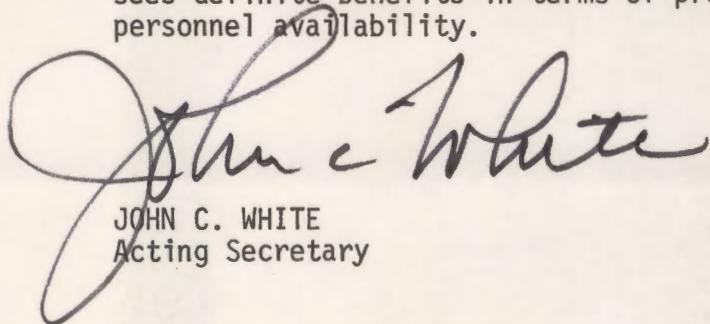
These two groups of employees reflect the emergency-seasonal nature of Forest Service work and the unfortunate result of employment ceilings (9,000 substantially full time).

If we are to increase part-time employment, only those employees who work a specific number of hours per week should be counted toward "full-time equivalency" employment, e.g., not less than 16 nor more than 30 hours per week.

There is reference in the Bert Lance/Stu Eizenstat memo to the fact that the total number of people employed in the Government will increase if we report "full-time equivalent" employment. On the

basis of discussions with larger USDA agencies, the increase would be substantial if all employment--part-time, seasonal and full time--were reported as one item "full-time equivalent."

Any increase in part-time employment will accrue only if management sees definite benefits in terms of productivity, efficiency and personnel availability.

A handwritten signature in dark ink, reading "John C. White". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail that extends to the right.

JOHN C. WHITE
Acting Secretary



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Administration
Washington, D.C. 20230

30 AUG 1977

Mr. Rick Hutcheson
Staff Secretary
The White House
Washington, D.C. 20500

Dear Mr. Hutcheson:

The Secretary asked that I review and comment upon the proposed memorandum for the President on increasing part-time employment in the Federal Government.

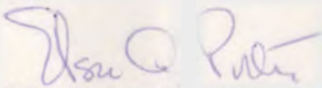
The Department of Commerce favors efforts to increase part-time employment in the Federal Government but is opposed to a mandatory quota of part-time workers, especially under present ceiling controls. The solution proposed by Mr. Lance and Mr. Eizenstat is that the President should: (1) issue a memorandum to all agencies requesting increases in part-time employment within existing ceilings, and (2) authorize development of a new accounting system within the Executive Branch for "full-time equivalent" employment.

We welcome the issuance of a memorandum expressing the President's support for increased part-time employment, as long as it is recognized that some changes in the employment-control system are necessary. Instead of the proposed "full-time equivalent" system, we think it would make good managerial sense to abolish the whole category of "other than full-time permanent" employment ceilings and let agencies meet their nonpermanent staffing needs through all types of part-time, temporary, seasonal, and intermittent employment within the limits of funds budgeted and appropriated. There is no doubt that part-time employment would rise significantly if this reform were adopted.

Although we prefer the outright abolition of OTP ceiling without alternative controls, we recognize that there may be accusations that such a move would be improperly motivated or subject to abuse. If some type of control is determined to be needed, we would favor a variation of the concept in the draft memorandum. The President's desire to hold personnel levels the same in October 1978 as they were in October 1976 need not be frustrated. At the end of FY 78 the number of full-time permanent employees can be the primary measure of accomplishment, and the data on full-

time equivalents can be reconciled with the OTP ceiling. Meanwhile, the most rapid progress can be made if all agencies are authorized to initiate a measurement system for full-time equivalents under the general guidance of the Office of Management and Budget, with two or more agencies serving as "lead agencies" under an OMB commitment to allow use of the new system for reporting purposes by the end of FY 78 if sufficient progress is made. In this way, all agencies have an incentive for developing a system, and if it is "debugged" before the end of FY 78, agencies can switch to that reporting system on a selective basis as approved by OMB.

Sincerely,



Elsa A. Porter
Assistant Secretary
for Administration

Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Secretaries: Vance, Blumenthal,
Brown, Andrus, Bergland,
Schlesinger, Kreps, Marshall,
Califano, Harris, Adams, the
Attorney General and Chairman
Campbell

FOR INFORMATION:**FROM:** Rick Hutcheson, Staff Secretary**SUBJECT:** Eizenstat/Lance memo dated 8/11/77 re Increasing Part-time
Employment in the Federal Government.

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 12:00 NOON**DAY:** Tuesday**DATE:** August 30, 1977**ACTION REQUESTED:**

X Your comments
Other:

STAFF RESPONSE: I concur. No comment.*Please note other comments below:*

The Department endorses the recommendation. We agree that the greater use of part-time personnel will require a change in the counting of part-timers.

However, the memo should point out that the total employment ceiling also covers temporary and intermittent employment. Unless these are considered in the same category with part-timers under the proposed system, at least three ceiling categories will be necessary: FTP, Full-Time Equivalent (part-time) and other.

In order to allow for speedy implementation, I suggest that general guidelines could be issued right away, with CSC establishing the control system later. Initially, the Departments and Agencies would be on a "honor" system. The interim system might involve OMB designating a certain number or percent of "other ceiling" which may be used for the program, with expansion to be justified and set during the 1979 budget review process.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

August 30, 1977

ST AUG 30 PM 12 50

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Increasing Part-time Employment in the Federal Government

In response to a recent request from Rick Hutcheson, I have carefully reviewed the memorandum to you from Bert Lance and Stu Eizenstat dated August 11, 1977, concerning the above subject.

I am in full agreement with the commitment to increase the opportunity for part-time employment in the Federal Government. Although I believe that the passage of H.R. 1627 is undesirable in that it would establish a mandatory quota for part-time employment, I further believe it is possible to initiate action which would lead to increased part-time employment without restricting the flexibility of each agency to decide on an optimum staffing pattern appropriate to its individual mission and circumstances. Both the proposed memorandum to agency heads and the proposed new accounting system for measuring full-time equivalents appear compatible with these conditions. However, the actual design of the new accounting system and any possible future change in the methods used to control employment are subjects of major interest to the Department, and we would hope to have the opportunity to participate in the decision-making process on those matters.

Mike

W. Michael Blumenthal



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

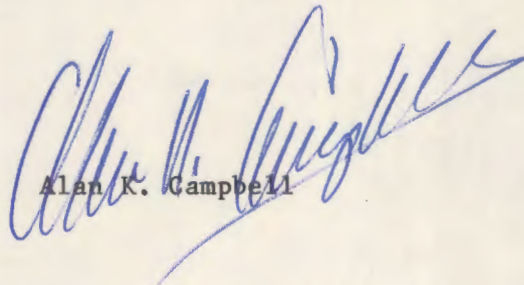
CHAIRMAN

MEMORANDUM FOR THE PRESIDENT

This is in response to your request for comments on the memorandum from Bert Lance and Stu Eizenstat on part-time employment in the Federal Government. Two actions are recommended: one is to issue a memorandum to the heads of departments and agencies encouraging stronger efforts to expand part-time employment opportunities. The other is to develop a full-time equivalency ceiling system now, but not to implement it pending the results of an experiment with two small agencies. A third option, which was not endorsed, is to establish a full-time equivalency system and put it into operation as soon as possible.

I am pleased that the idea of a full-time equivalency system has been proposed, but I would urge that it be put into operation as soon as it is developed, rather than wait for the results of a two-agency experiment. I have long felt that full-time equivalency is a better approach to ceiling controls generally, and once adopted, will enable agencies to harmonize their staffing more closely with mission objectives. Conversely, without some change in the present system, agencies will not be able to meet their staffing needs as effectively as they could, and the chances for achieving significant progress in part-time employment will be reduced.

Nevertheless I recognize the validity of the other considerations mentioned in the decision paper. If you decide to issue the policy memorandum to agency heads as proposed, we will work closely with agencies to ensure the best possible results within the present framework.


Alan K. Campbell



DEPARTMENT OF STATE

Washington, D.C. 20520

August 30, 1977

MEMORANDUM FOR MR. RICK HUTCHESON
THE WHITE HOUSESubject: Increasing Part-time Employment
in the Federal Government

As you requested, I have the following comments on the OMB proposal of August 11, 1977 to increase part-time employment in the Federal Government. The Department of State for years has employed a considerable number of people on a part-time basis; however, mostly in the secretarial and clerical fields. The results have been most satisfactory and we welcome an opportunity to expand this effort.

The Department of State favors the OMB approach to increasing part-time employment in the Federal Government. We strongly support the OMB in the hope that a mandatory quota can be avoided.

To insure that the increased part-time employment programs benefit the population intended (the elderly, women with family responsibilities, etc.) and to insure that an adequate pipeline is maintained, the Department recommends that the Civil Service Commission be charged with monitoring part-time employment and developing appropriate registers.

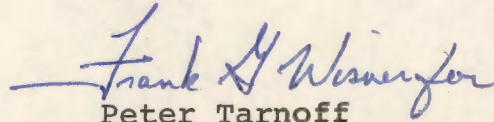
The OMB memorandum points out that there would be increased pension, health, training, administrative and other benefit costs. As far as the State Department is concerned, it would also have the additional cost of the security investigations for part-time employees.

As for implementation, the Department of State agrees with the OMB that while part-time employment can be increased within existing position ceilings, we strongly support the recommended introduction of a new accounting system based on "full-time equivalents."

Finally, and most importantly, in order to make a part-time program work, it is extremely important that all of the bugs be worked out prior to full implementation.

-2-

The OMB proposal to test the full-time equivalent system throughout smaller Federal agencies is an excellent recommendation.

A handwritten signature in blue ink, reading "Frank D. Wisniewski". The signature is written in a cursive style with a long horizontal line extending to the left.

Peter Tarnoff
Executive Secretary



OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

August 31, 1977

MEMORANDUM FOR THE HONORABLE RICHARD G. HUTCHESON
STAFF SECRETARY

SUBJECT: Eizenstat/Lance Memo Dated August 11, 1977, Regarding Increasing
Part-time Employment in the Federal Government

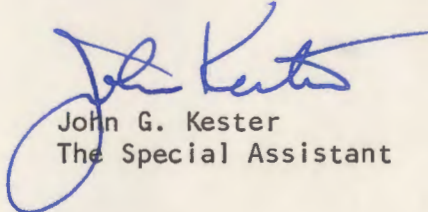
Your memorandum of August 24, 1977 requested DoD comments on the subject memorandum.

The Department of Defense supports the President's goal of expanding part-time job opportunities. We concur in OMB's recommendations of a Presidential memo calling for innovative part-time job programs and of a limited test of employment ceilings using a full-time equivalent accounting system.

However, it is recommended that the full-time equivalent accounting system be established only at the two small agencies chosen for the test, and not, at this time, for all federal agencies. This will provide an opportunity for careful evaluation of the new accounting system to see whether its possible disadvantages override its potential for stimulating part-time employment.

Since Defense civilian employment is limited by Congress, there is concern that the proposed full-time equivalent accounting system might lead Congress to establish a man-year ceiling on DoD. A man-year ceiling would be far more constraining in its impact on program accomplishment than the current end-of-fiscal-year strength ceiling.

Also, any change in the civilian accounting system must be agreed to by Congress so that DoD does not suffer the inefficiency of having to operate two accounting systems, one for Congress and a different one for OMB.


John G. Kester
The Special Assistant



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

August 31, 1977

Mr. Rick Hutcheson
Staff Secretary
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. Hutcheson:

This replies to your request for comments on the proposal to expand the Federal part-time employment program.

I agree that the President's memorandum to Agency Heads should be transmitted as proposed, and that a new personnel accounting system be created to measure "full-time equivalents." Overall, I support a moderate expansion of the Federal part-time employment program.

The Lance/Eizenstat memorandum suggests that use of the full-time equivalent system to control employment should be tested in two of the smaller agencies. I recommend that the test be conducted in a cross-section of agencies, large and small, to give a true picture of the system's effect in the real world. Perhaps agencies which are already active in promoting part-time employment could be used in the experiments, as well as some which have had only limited participation.

Although I agree that job redesign will have a role in the expanded part-time employment program, I think that job sharing may have an even greater potential for reaching the numerical goals of the expanded program. For example, when an incumbent vacates his or her full-time position, two, or even three part-timers could be assigned to share the position, with only one being on duty at any given time.

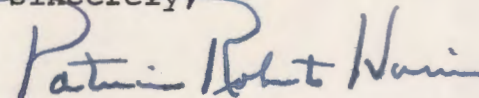
As a cautionary note, the presence of part-time employees will be something new for many supervisors; there may be problems of administration and management not faced before. Special training dealing with these issues should be developed for managers. I recommend that model training packages be prepared by the Civil Service Commission.

My personnel staff has pointed out some further considerations. First, it should be noted that all additional part-time positions will have to be staffed competitively. They cannot be assigned in a block to the target group of "persons with family responsibilities, the handicapped, and the elderly" as this would constitute illegal discrimination. In fact, it is possible that a majority of these positions will go to the unemployed-at-large. This is not an entirely unwanted result, except that a large number of these will secure full-time positions creating high turnover among the part-time positions, a costly proposition.

Personnel also feels that the basic rules, regulations, and procedures referred to in the President's proposed memorandum to Agency Heads should be developed and clarified by the Civil Service Commission. The applicability or nonapplicability of competitive procedures to employees converting from part-time to full-time, and vice versa, should be among the topics addressed.

I appreciate this opportunity to comment. If I can be of further assistance, please let me know.

Sincerely,

A handwritten signature in blue ink, reading "Patricia Roberts Harris". The signature is written in a cursive, flowing style.

Patricia Roberts Harris



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

AUG 31 1977

The President
The White House
Washington, D. C. 20590

Dear Mr. President:

This is in response to the August 11 proposal of Bert Lance and Stu Eizenstat to increase part-time employment in the Federal Government. Based on my review, it appears that implementation of this proposal could be an important aid in increasing the employment opportunities of those people who want to work but cannot do so on a full-time basis. However, I think that certain aspects of the proposal need to be further developed and tested before being presented to you for decision.


I agree with the recommendation that, as an interim measure, you direct each Federal agency to increase its part-time employment without exceeding the current authorized employment. This measure could be accomplished immediately with no impact to the performance of Federal programs and no increase over funding levels presently budgeted for employee salaries.

I also support the recommendation to further explore and test a system of measuring Federal employment on the basis of "full-time equivalent personnel." We would need further details of the proposed system and how it would be administered if we are to assess the potential impact on the programs of this Department. It would be unwise, I think, to proceed with the Civil Service Commission's recommendation without a test period to determine whether or not the results warrant implementing a new system.

The Department of Transportation would welcome the opportunity to assist the Office of Management and Budget in the development and testing of a new employment ceiling system designed to encourage expanded use of

part-time workers. It is my feeling that such a system could significantly increase the employment opportunities of handicapped and elderly individuals, women, students and others who cannot work on a full-time basis.

Respectfully,

The image shows a handwritten signature in blue ink, split into two parts by a vertical line. The left part of the signature is 'Brock' and the right part is 'Adams'. The signature is written in a cursive, flowing style.

Brock Adams



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

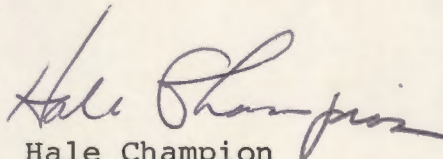
September 2, 1977

MEMORANDUM TO: RICK HUTCHESON
STAFF SECRETARY

SUBJECT: Eizenstat/Lance Memorandum Dated
8/11/77 re Increasing Part-Time
Employment in the Federal Government

We are in favor of increasing the number of part-time Federal workers and endorse the issuance of the proposed Presidential memorandum.

We believe it would be a good idea to experiment with a new accounting system to measure full-time equivalents to see if there is a need to implement such system as a ceiling control.


Hale Champion
Acting Secretary

Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Midge Costanza
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jack Watson
Charlie Schultze

FOR INFORMATION:

The Vice President
Jody Powell

*need
too
late*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-
Employment in the Federal Government

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: ~~Wednesday~~ *Friday*

DATE: August 26, 1977

ACTION REQUESTED:

☒ Your comments
Other:

STAFF RESPONSE:

☒ I concur. ☐ No comment.
Please note other comments below:

*We strongly support
This idea.
Watson / Frank*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

10
Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Midge Costanza
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jack Watson
Charlie Schultze

FOR INFORMATION:

The Vice President
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-1
Employment in the Federal Government

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: ~~Wednesday~~ FRIDAY

DATE: August 26, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.☒ No comment.*Please note other comments below:***PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Midge Costanza
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jack Watson
Charlie Schultze

FOR INFORMATION:

The Vice President
Jody Powell

LOGGED

Date 8/24

Routing

CLS

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-
Employment in the Federal Government

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: ~~Wednesday~~ Friday

DATE: August 26, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

August 25, 1977

MEMORANDUM FOR: Staff Secretary
FROM: MARGARET COSTANZA *mc*
SUBJECT: Comments to be forwarded to the President

I urge that the President send the suggested memo to Agency heads and that a full-time equivalent accounting system be created now. While the actual body-counts in the federal government will increase under this new system, the number of slots remains static. The "inflation" of government is artificial; this is easily explained to the press and public. In the meantime, we will have provided employment for those who cannot easily find jobs. This strikes me as both humane and sensible. I hope we do it.

Date: August 24, 1977

MEMORANDUM

FOR ACTION:

Midge Costanza
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jack Watson
Charlie Schultze

FOR INFORMATION:

The Vice President
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Eizenstat/Lance memo dated 8/11/77 re Increasing Part-Employment in the Federal Government

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: ~~Wednesday~~ Friday

DATE: August 26, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.☐ No comment.

Please note other comments below:

RS

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

September 16, 1977

Bob Lipshutz
Bert Lance

The attached letter to Chief Justice Burger was returned in the President's outbox today. It sent to you for your information. The signed original has been delivered to Bob Linder for appropriate handling.

Rick Hutcheson

RE: REORGANIZATION PROJECT'S JUSTICE
SYSTEM IMPROVEMENT STUDY

cc: Bob Linder

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
	X	LIPSHUTZ
		MOORE
		POWELL
		WATSON
	X	LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
X	LINDER <i>send out</i>
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 14 1977

MEMORANDUM

TO: The President
FROM: Bert Lance *John McEntyre, for*
SUBJECT: Attached Letter to the Chief Justice

Your signature is requested on the attached letter to the Chief Justice.

The purpose of the letter is to inform the Chief Justice of the Reorganization Project's Justice System Improvement study and to ask for assistance from the judiciary.

The Chief Justice has repeatedly called for a National Institute of Justice and is also interested in better coordination among justice activities in the three branches of government. His cooperation with this project would therefore be most beneficial.

Recommendation

That you sign the attached letter for the Chief Justice.

SEP 19 1977

THE WHITE HOUSE

WASHINGTON

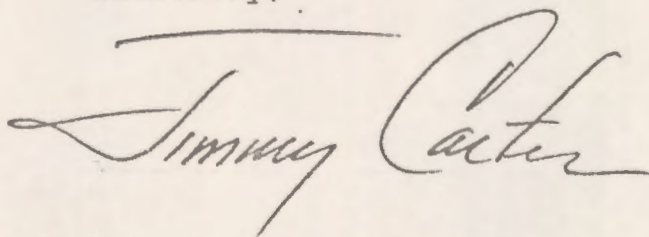
To Chief Justice Warren Burger

At the National Conference on the Causes of Popular Dissatisfaction with the Administration of Justice held last year, and in your recent speech to the American Bar Association, you urged that the time has come to look more closely at improving the civil and criminal justice systems. I share that view in full.

Consequently, I have directed my Reorganization Project at the Office of Management and Budget to study how the Federal Government can better plan, organize and manage its responsibility to encourage improvement of the quality of justice in the United States, subject, of course, to the constitutional separation of powers. In particular they will examine the proper structure of a National Institute of Justice, a concept which both you and I have endorsed. They will also look into the structure of possible coordinating mechanisms between the executive and judicial branches.

I hope that you and the members of the judicial branch will be able to work with us in these efforts to improve the Nation's justice system. Mr. Harrison Wellford, my Executive Associate Director for Reorganization and Management, will be in touch with you in the near future to discuss the study in more detail.

Sincerely,

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is fluid and cursive, with a long horizontal line extending from the "J" and a large, sweeping "C" for "Carter".

The Honorable Warren E. Burger
The Chief Justice of the United States
Washington, D.C. 20543

THE WHITE HOUSE
WASHINGTON

September 15, 1977

~~The Vice President~~

Stu Eizenstat

Bob Lipshutz

Jody Powell

Jack Watson

Richard Pettigrew

The attached is being forwarded
to the President. This copy is sent to
you for your information.

Rick Hutcheson

RE: LETTER TO CHIEF JUSTICE WARREN BURGER

THE WHITE HOUSE
WASHINGTON

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THE WHITE HOUSE

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Sincerely,

The Honorable Warren E. Burger
The Chief Justice of the United States
Washington, D.C. 20543

THE WHITE HOUSE
WASHINGTON

16 September 1977

Rich -
a) Weekly - List those
scheduled to be "done" that week -
b) Monthly - Entire list
J.C.

MEMORANDUM FOR THE PRESIDENT

FROM:

RICK HUTCHESON *Rich*

SUBJECT:

Status of Presidential Requests.

EIZENSTAT:

1. (2/16) Prepare a draft message to Congress on the opportunity for regulatory reform and consult with the Cabinet -- In Progress, (with OMB, expected 10/21).
2. (6/15) (and Kreps) Comment on the letter from Senators Magnuson and Hollings on the Nation's ocean program -- In Progress, (Stu is drafting a PRM on this, expected 9/20).
3. (7/18) (Confidential) Check with the Attorney General and comment on the Morris Dees memo concerning the death penalty in the United States -- In Progress, (expected 9/22).
4. (8/5) I would like a study done to determine if the curriculum at the service academies can/should be more narrowly focused on their future careers. Advise -- In Progress, (study should be completed by 11/1/77).
5. (8/13) This doesn't seem right. Work on it. (Jack Anderson article on 8/13 re giant utilities "phantom taxes") -- In Progress, (expected 9/23).
6. (8/17) We can issue guidelines from me. Prepare draft. (H.R. 6689 - New Gift Procedure for foreign gifts) -- In Progress, (expected 10/1, previously expected 9/15).
7. (8/15) (and McIntyre) Follow-up on 8/12 memo from Eizenstat concerning meeting with Alan Boyd -- In Progress, (with Senior Staff, expected 9/19).

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8. (8/22) Begin preparing for action regarding options to reduce oil imports -- In Progress, (expected 9/23).
9. (8/24) Consult with Schlesinger on spent fuel policy -- In Progress.
10. (8/29) Advise regarding Bourne memo on report on International Food and Agriculture -- In Progress, (expected 9/19, previously expected 9/13).
11. (8/31) The President has worked 7 months to get agencies out of EOP, now another is being recommended. How many people are involved in the Oversight Office regarding the review of security classification system memo? -- In Progress, (expected 10/27).
12. (9/2) (and Schultze) The President needs an analysis of Senator Moynihan's paper on New York's deficit regarding Federal government programs; he has called the President twice about it -- Done. *done*
13. (9/6) Compare your 9/2 Domestic Policy Report with similar reports of 6-8 weeks ago; many items are dragging -- Message Conveyed. *done*
14. (9/12) Assess three items briefly regarding Marshall memo concerning black unemployment -- In Progress, (expected 9/20).
15. (9/12) Ask Jim McIntyre to see the President Monday regarding \$1.15 billion supplemental appropriations -- Done. *done*
16. (9/12) Forward summary of brief concerning the Bakke case -- Done. *done*

HARDEN:

1. (7/15) Route your memo on the Administrative Support Unit routinely so that the President can receive other comments -- Done (in status report). *done*

JORDAN:

1. (2/25) Let's firm up the Renegotiation Board -- In Progress, (pending Congressional action).

2. (5/15) (and the Vice President, Moore) Work out the Judicial Selection Committee in states with no Democratic Senators; let Democrats do it. Setting up top flight Selection Committee comes first -- In Progress, (10 of 13 announced).
3. (7/28) Need another report on appointments/vacancies on the Circuit, District and Special Courts -- In Progress.
4. (8/13) (and Eizenstat/Watson) Move on this. (John Portman letter of 8/11 re dinner in Washington for heads of major U.S. corporations to generate support for Central Cities of America) -- Done. *Where?*
5. (9/12) (Butler) What has been/can be done regarding a job for Don Cox of Kentucky -- In Progress.
6. (9/14) (Butler) a) Is Alex Walsh a State Department "consultant" on friendship force? b) if so, why? -- In Progress, expected 9/19).

LIPSHUTZ:

1. (2/18) (and Bell) You know of President's promise to make the Attorney General independent of White House influence and control. (7/7) Assess the President's campaign statements on the Attorney General. It was Bell's idea to begin with -- In Progress, (expected 9/21).
2. (9/1) If the Gnann property is leased for 10 years,
 - a) would there be any need for present mobile homes?
 - b) when would any additional building be located there?
 - c) what type of office space has been (or will be) provided for staff of Nixon and Ford? -- Done. *done*
3. (9/12) See the President regarding the proposed letter from Trude Feldman concerning message from the President to Prime Minister Begin -- Done. *done*
4. (9/14) Talk to Sen. Jackson regarding Indian claims. Perhaps Bill Gunter could lead a task force in drafting legislation -- In Progress.

BRZEZINSKI:

1. (6/4) (and Chip, Bourne, Eizenstat) Get together and let the President know what we can do about world hunger -- In Progress, (with Senior Staff, expected 9/19).
2. (7/11) (and Brown) Keep the President informed about certification of qualifications of appointees to non-career jobs -- In Progress, (with DoD and CSC, expected in October).
3. (7/28) Assess briefly the number of federal employees abroad, the current number seems excessive. (7/30) OK-- my concern is the large number of non-State Department personnel in our embassies -- In Progress, (with OMB and State, expected 10/1).
4. (8/1) (and Vance) I want every U.S. Ambassador have a concise list of specific tasks or goals to be achieved within his/her assigned country. Please give me a few examples such as Zambia, Argentina, India, South Africa, Belgium, Republic of China, Philippines -- In Progress. (8/17) What I want is for every embassy to have a specific and current set of goals, such as the ones here for Spain and Venezuela. I want a copy in the White House -- In Progress, (expected 9/21, previously expected 9/15).
5. (9/6) (and Eizenstat) Redraft letter regarding 9/1 memo concerning reply to Gov. Milliken's latest letter concerning SEAFARER Project in Michigan -- In Progress, (expected 9/21, previously expected 9/12).
6. (9/9) (Secretary Brown) Brief comment regarding 8/26 memo from Midge Costanza concerning suggested method of dealing with defense contractor overruns -- In Progress, (expected 9/20).
7. (9/9) What are the consequences of doing nothing regarding the memo concerning nuclear alternatives, follow-on study to PD-8? -- Done. *Done*
8. (9/12) (and Brown) See the President regarding memo on consultations with NATO allies on enhanced radiation warhead -- In Progress, (to be discussed at 9/20 meeting).
9. (9/12) See the President regarding Fallows memo on World Bank/IMF meeting in Washington on 9/26 -- Done. *Done*

LANCE:

1. (7/11) Our emergency loan/grant criteria are too lax; check with Secretary Bergland -- In Progress, (inter-agency working group preparing options paper as part of '79 budget review, expected 10/15).
2. (7/24) Have Jim and/or Harrison work with Sam Brown on Citizen's Review Group -- Done. *done*

BOURNE:

1. (8/22) Is there any action that we can take regarding South Asian narcotics? -- Done. *done*

FIRST LADY:

1. (8/4) Comment (re 8/2 memo from Jordan concerning two vacancies on Advisory Council on Historical Preservation) -- In Progress, (expected 9/21 from Hamilton).

VICE PRESIDENT:

1. (8/4) Strengthen for later release (end of August) (draft White House release for foreign intercept operations/commercial telecommunications) -- In Progress, (status report from NSC expected 9/20, previously expected 9/14).

SCHLESINGER:

1. (9/14) From Sen. Long, this must be answered. Send the President a copy regarding TIMES PICAYUNE advertisement of 8/14 concerning energy programs and increased costs to Louisiana family -- In Progress.

MOORE:

1. (8/29) Talk to the Speaker and to Foley concerning pesticides legislation; the President will help personally -- In Progress.

2. (9/9) Let the President check the text; keep simple and clear (regarding the mail summary). Kitty Schirmer to respond on President's behalf to John Brademas letter concerning nuclear research and development programs -- Done. done
3. (9/12) (and Eizenstat) Inform Sen. Cranston that the President will not veto S. 1307 in its present form -- Done. done

POWELL:

1. (8/22) Draft answer to 8/12 letter from Georgia State Senator Franklin Sutton -- In Progress.

SCHULTZE:

1. (8/24) Go ahead and prepare the economic impact statement for the President concerning the Senate Finance Committee proposal on Social Security financing and the statement to be given to Senator Long -- In Progress, (with CEA, OMB and the Domestic Council, expected 9/19).

BLUMENTHAL:

1. (8/18) Tentative OK only concerning Presidential welcome to IMF/IBRD; let the President see the remarks -- In Progress, (with Fallows, draft of speech for President's review on 9/20). done

ADAMS:

1. (8/22) Keep the President informed about Amtrak heavy rail repair facility -- In Progress, (report of recommendations expected 10/1).

BERGLAND:

1. (9/9) (Personal and Confidential) Please explain about farm bill costs apparently skyrocketing. Check on USDA figures...thought we were approving only minimal increases above \$2 billion limit -- In Progress, (expected 9/23).

ATTORNEY GENERAL:

1. (8/3) Why not support this merit selection proposal? I'm for it. (re Germond & Whitcover column concerning merit selection of judges)-- In Progress, (with Senior Staff, expected 9/20).
2. (8/27) (and Lance) Assess present plans and projections and advise how alternatives can be used regarding prison construction -- Done, (OMB will present assessment in fall budget review).

done

HARRIS:

1. (8/11) Push this. Work with Lehman, Pepper, Stone, Childs and condominium groups (re 8/3 memo concerning condominium recreation leases) -- In Progress, (expected 10/1).

WATSON:

1. (9/2) (Jane Frank) Please work out with the First Lady and Sen. Byrd a visit by his grandchildren to visit Amy -- In Progress, (with First Lady's staff).
2. (9/9) Get brief OMB comment without delay regarding Ray Marshall memo concerning Department of Labor's reorganization project -- In Progress, (with OMB, expected 9/20).

H. CARTER:

1. (9/12) Why is the President's backlog of mail going up again? -- Done.

done

RAFSHOON:

1. (9/13) Proceed with plans regarding National Arts Festival; then see the President before final commitment -- In Progress, (expected 11/31).

THE WHITE HOUSE
WASHINGTON

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THE WHITE HOUSE
WASHINGTON

9/16/77

Mr. President:

No staff comments received.

Rick

THE WHITE HOUSE
WASHINGTON

rick--

please send me copy of
entire list.

thanks -- susan

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

September 16, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: The Domestic Policy Staff Weekly
Status Report

HEALTH

National Health Insurance: We have met with HEW to work out a timetable for the preparation of the Administration's NHI proposal. Your first briefing will be around October 1.

Hospital Cost Containment: Both House subcommittees are now marking-up the bill. Senator Talmadge is expected to introduce a revised version of his bill within the next two weeks.

Black Lung: We are working with Frank Moore's office to work out a compromise with Congressman Perkins. The bill is scheduled to be on the House floor early next week.

COMMUNICATIONS

Public Broadcasting: We have met with key people on the Hill and in the industry, and they are generally supportive of the recommendations you approved. We are working with Jim Fallows on a Message to Congress, which will be in to you shortly. You will be meeting with OMB and DPS on Wednesday.

OTP/Commerce Reorganization: We have worked with OMB and Commerce to resolve disputes on amendments to the Reorganization Plan and on an Executive Order to implement it. Agreement has been reached, at least for now.

Minority Ownership: We have completed a series of meetings with Black and Hispanic groups on ways to increase minority ownership of broadcast stations. We are developing action recommendations for you.

TV for the Deaf: We are working with Secretary Califano on the conference you approved with the network presidents to try to persuade them to support "closed captioning" of T.V. shows. The conference is scheduled for late October.

Telephone Eavesdropping: We have relayed your instruction to expedite this project to the other units working on it. We expect to receive the CIA report -- for which the project is waiting -- late next week.

NATURAL RESOURCES

Alaska Land Designations: Secretary Andrus presented the Administration position to Congress yesterday.

Mining Law Reform: All issues among agencies on Interior draft bill are now resolved. Interior forwarded Administration bill to Congress this week.

Water Pollution Control Act: EPA to testify before House Public Works Committee September 16. Congress now looking toward October for passage of legislation.

CIVIL SERVICE MATTERS

Hatch Act Reform: Hearings are being held in the Senate. We are working with the CSC, Justice and Senate staff to develop amendments to the bill. IRS and State have concerns about their employees, and we are consulting. We are also coordinating with Frank Moore's staff on legislative strategy.

Executive Service Reorganization Proposal: We are working with the reorganization team on proposal. Decision memo to you from Alan Campbell within two weeks.

Part-Time Employment: OMB-DPS decision memo was circulated to agencies for comment. The memo, including a summary of these comments, will be to you within one week.

EDUCATION

Expiring Legislation: Proposals for your consideration are expected from HEW by October.

Department of Education: The preliminary document prepared by the OMB Reorganization team is now being reviewed. Decision memorandum will be to you soon.

Educational Facilities: Following up on your meeting with the American Federation of Teachers, we are working with Bill Milliken to study alternative uses of excess school facilities.

WOMEN

Equal Opportunity: Recommendations of the OMB/CSC and Equal Opportunity Reorganization teams will be reviewed together before October 1.

EMPLOYMENT

Humphrey-Hawkins: Initial discussion with Humphrey and Hawkins' staffers took place on September 14, and are continuing. Good progress so far.

Ray Marshall's Solution to Black and Youth Unemployment: We are coordinating an analysis along with Labor, CEA, and OMB of all suggested options. Due by September 30.

TRADE

Trade Adjustment Assistance: Decision package to you on September 23.

HOUSING AND URBAN DEVELOPMENT

Urban Policy: We are meeting intensively with the newly-established assistant secretaries group and with a series of outside constituencies on urban policy. Submissions for the 1979 budget are due from agencies by September 15 and preliminary reports on longer-term policy initiatives are due in late September and early October. We anticipate a detailed Presidential message together with publication of the Urban Growth Report in March.

SEC Report on New York - Municipal Board Disclosure: Senator Williams will introduce legislation creating uniform standards on municipal bond disclosure. We will provide an analysis and recommendations as soon as we receive a draft of the bill.

Phase-out of FY 78 Economic Stimulus Package: We are working with Treasury to prepare an analysis of the impact of the phase-out of the stimulus package in older cities, due mid October.

Moynihan's Report on Federal - NYS Relations: Letter from Charlie and me to Moynihan by the 19th, as promised in your letter.

MINORITY BUSINESS

Northeast Corridor Project Set-Aside: We are working with Justice and DOT to resolve legal problems associated with Adams' plan to establish a 15% women and minority business set-aside for this railroad program.

Small Business Investment Act: We are working with OMB, SBA, and Commerce to prepare memo on the Administration's position on Parren Mitchell's bill to provide additional federal government support for minority enterprise small business investment companies. Memo to you by September 19.

TRANSPORTATION

International Air Negotiations: I will be working with DOT, State, CAB and STR on further analysis of the responsibility for international air negotiations.

Concorde: We are in the process of preparing an options memo on a proposed national noise rule for supersonic transports. Memo to you by September 19.

ENERGY

Nuclear Licensing Reform: Discussion with FEA and DOE continuing on how to proceed.

Alcan Natural Gas Pipeline: Decision and required Presidential report still being worked on by Schlesinger's staff. Submission date to Congress slipped to week of September 19.

Clinch River Breeder Reactor: Vote now scheduled for Tuesday, September 20. Coordinating with Frank Moore and House leadership to round up votes.

Non-Proliferation Legislation: House vote deferred due to lack of rule. Will continue to provide support for legislative efforts.

Spent Fuel Policy: Working with Schlesinger, State, CEA, NSC, and Frank Moore to develop implementation plan for policy and to coordinate carrying it out.

Oil Imports: Working with Schlesinger to develop more detailed analysis of options for curbing imports. Short statement on gasoline consumption and import figures was included in statement activating DOE.

Phantom Taxes: Preliminary analysis received from Treasury and OMB. Now working on analysis of pending legislative proposals as well as state PUC activities. Memo to you delayed until this can be completed.

AGRICULTURE AND RURAL DEVELOPMENT

Farm Bill: Will pass the House late this week or early next week. An evaluation is underway.

Sugar: USDA will announce prospective payments program within next day or two. Justice will rule on retroactive payments once farm bill is passed; if okayed, a decision memo will be sent to you.

Temporary Drought Assistance: A decision memo is on its way to you.

Rural Development: USDA/OMB budget issue paper on this topic nearing completion.

White House Conference on Balanced Growth (Jan 29 - Feb. 2, 1978): We are working with Conference organizers in design of agenda and selection of participants.

CIVIL RIGHTS AND JUSTICE

Undocumented Aliens: We are waiting for Justice to draft legislation.

Handguns: We are reviewing the draft legislation with Justice. I met with Treasury and Justice officials today. We agreed, given your previous approval of going forward with such legislation, to wait with the Crime Message early next year, to present the legislation to Congress. The draft bill will be presented to Congressional staff after the recess.

Morris Dees Memo on Death Penalty: We will meet with Justice and comment on the memo within the next two weeks.

Bakke Case: We continue to follow developments and are preparing a response to the letter from the Black Caucus and Father Hesburgh.

HUMAN RESOURCES

Welfare Bill: The bill was introduced this week in the House by Representative Corman and in the Senate by Senator Moynihan, cosponsored by Senators Williams and Javits. The House has scheduled hearings for September 19, 20 and 21. Moynihan has announced that informational hearings will be held in early October, timing to be determined by when the Finance Committee completes mark-up on the energy tax bill.

Social Security: We are following development in the House and Senate, and will submit a status report on Monday.

Age Discrimination: There will be a cabinet level meeting with agencies and departments Monday morning. Follow-up memo will be submitted following the meeting.

REGULATORY REFORM PROJECTS

Regulatory Reform: The Reorganization Project has redrafted the proposed guidelines on writing and "sunsetting" regulations to incorporate your comments as well as the comments received from the Cabinet. We have reviewed their draft Executive Order, which will be circulated soon for clearance.

Airline Regulatory Reform: The mark-up on Thursday, September 15, did not go well. The airline and union lobbying against the measure has intensified. Senator Cannon hopes to report the bill at the mark-up scheduled for next Thursday, September 22. We are working with the Department of Transportation to get the bill reported.

Financial Institutions Regulations: We are working with Treasury, HUD, OMB and CEA to develop a format for approaching the new reform agenda in this area beyond NOW account legislation now on Capitol Hill.

OSHA Reform: We are working with OMB, CEA and DOL to select a competent staff director for the Task Force approved by you.

CONSUMER MATTERS

Agency for Consumer Protection: We are working with Esther Peterson, OMB and Frank's staff to develop strategy for initiating House action. Esther is canvassing key House members.

Class Action: We are working with Esther Peterson and Justice to review recently-introduced consumer class action bills and to develop an Administration position. We are working with Esther Peterson, Frank's staff and Justice to help enact the FTC Improvements Act.

INTEGRITY AND OPENNESS MATTERS

Executive Order on Logging: Justice draft is now being redrafted in light of agency comments. Draft will be to you no later than September 30.

Revision of Security Classification System: A draft Executive Order reflecting your decisions has been circulated to the agencies and to groups outside the government. Comments are due October 14.

Lobby Reform: House Committee is in mark-up, Senate in hearings. Justice testified in strong support of new lobbying law, and we sent proposed language on executive branch lobbying developed with OMB and Justice to the Hill. We are working on policy development, and coordinating with Frank's staff on legislative strategy. We are now meeting with the key House committee members.

ECONOMICS AND BUSINESS

Tax Reform: You will have the package very soon.

Steel Industry: We will be working with an interagency task force to develop overall Administration strategy toward the domestic and international problems of the U.S. steel industry.

Private Sector Employment Programs: We will be examining the potential for private sector programs to reduce teenage unemployment.

MISCELLANEOUS

Foreign Gifts: We are working with GSA to prepare a draft of guidelines for government agencies regarding receipt of foreign gifts. Memo to you within a few weeks.

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore
Jack Watson

The attached will be submitted
to the President. This copy is forwarded
to you for your information.

Rick Hutcheson

RE: CALIFANO MEMO RE CHAIRMAN ULLMAN
. AND TAX REFORM PACKAGE



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

September 16, 1977

MEMORANDUM TO THE PRESIDENT

FROM JOE CALIFANO *Joe Califano*

Chairman Ullman's desire to have the tax reform package sent to the Hill and hold immediate hearings is directed, among other things, at deterring or blocking our progress on welfare reform, social security, and perhaps hospital cost containment.

There is no Tax Subcommittee of House Ways and Means, so tax reform hearings would be held in the full committee. Those full committee hearings would end the social security markup in the House Ways and Means Committee, which is going much more favorably in our direction than in Ullman's.

Full committee hearings on tax reform will also serve to delay welfare reform, which Speaker O'Neill and Corman believe can produce a marked-up bill by Christmas for submission to the three major committees. If Ullman goes forward with hearings on the tax reform bill, I fear that you may never see a welfare reform bill out of the House on any schedule giving you a chance to have the Senate act next year.

Finally, Ullman's tax reform hearing would make impossible enactment of hospital cost containment in this session. Ullman has indicated to me his personal support for your cost containment proposal, but that support is not enthusiastic and there are other committee members who have been successfully lobbied by hospital interests; they would welcome this opportunity to defer action on hospital cost containment.

Needless to say, with respect to all three proposals -- hospital cost containment, social security, and welfare reform -- Ullman would blame you for making it impossible to deal with them on a timely basis because you sent the tax reform bill to the Hill in this session.



THE PRESIDENT HAS SEEN.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

September 16, 1977

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THE WHITE HOUSE
WASHINGTON

Patty,

Withdrawn by Bo

Cutter - Please return
it to him.

Thanks,

TSep

THE WHITE HOUSE
WASHINGTON

STH - THIS IS FAR TOO LONG. PLEASE
HAVE SUMMARIZED FOR MON MEETING

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input checked="" type="checkbox"/>	IMMEDIATE TURNAROUND

due 8:00 AM - Mon.

ACTION	FYI	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
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<input checked="" type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
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<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE

WASHINGTON

Hold *PS*

Date: September 17, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson
Charles Schultze

FOR INFORMATION:

The Vice President
Bob Lipshutz
Frank Moore

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Investment Policy of the Pension Benefit Guaranty Corporation

Dept staffing ?

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 8:00 AM

DAY: Monday

DATE: September 19, 1977

*not to go in
Mon per Corp*

IMMEDIATE
TURNAROUND

ACTION REQUESTED:

☒ Your comments

Other:

*- Bill find
out from SE's
staff how they think
this should be
handled*

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 16 1977

MEMORANDUM TO: THE PRESIDENT

FROM: Bo Cutter W. Bowman Cutter

SUBJECT: Investment Policy of the Pension
Benefit Guaranty Corporation

The proper reinvestment policy for the Pension Benefit Guaranty Corporation (PBGC) will be one of the topics at your meeting at 11:00, Monday, September 19.

Issue

Secretary Blumenthal, as a Director of PBGC, is strongly pressing his position that Government agencies, including PBGC, should invest assets only in U.S. Government securities, not in the private sector. The other two Directors, Secretaries Kreps and Marshall, support PBGC investments in the private sector. Secretary Blumenthal believes the issue extends beyond the interests of PBGC and is serious enough to warrant your consideration.

Almost all investment funds controlled by Government agencies are placed in Government securities. No survey of agencies has been conducted, but some exceptions to this general practice exist. The pension funds for Tennessee Valley Authority and Federal Reserve Board employees, Smithsonian endowments, and terminated private pension funds taken over by PBGC have private sector investments.

In the absence of a clear, generally applicable policy to the contrary, Secretaries Kreps and Marshall believe private sector investments should continue in order to enable PBGC to accomplish its statutory objectives. Secretary Blumenthal, while not now recommending that all agencies investing in the private sector change their practice, is recommending that PBGC invest only in Government to help establish that prevailing practice as a general policy.

There is also the subsidiary issue of whether a Presidential position should be applied to PBGC through legislation or a request to the Board.

Background

PBGC is a Government corporation established by the Employee Retirement Income Security Act of 1974 (ERISA). If a pension plan terminates without sufficient assets to cover benefits, PBGC becomes the trustee of its assets, and is responsible for paying pension benefits to workers (up to a maximum set by ERISA) from resources consisting of (1) trust assets acquired, (2) premiums, (3) investment income, (4) the contingent liability ERISA imposes on employers to make up insufficient assets (up to 30% of their net worth), and (5) a \$100 million Treasury line of credit (which PBGC does not plan to use).

Currently, trust assets acquired are invested in diversified portfolios (including private sector stocks and bonds) by private investment managers under contract to PBGC. Premium receipts, as required by law, are deposited in revolving funds in the U.S. Treasury and invested in Government securities. The PBGC Board has authorized transfers from the revolving fund to the trusts (for investment in private securities) to fully fund insufficiencies. However, current practice is to transfer only enough to cover a proportional share of benefits as they are paid and the premium increase proposal assumes amortizing the insufficiencies over 7-1/2 years.

Although PBGC's Board of Directors in 1975 approved investments in private stocks and bonds, Secretary Simon subsequently requested the Board to reconsider the entire investment policy and urged that all funds be invested solely in U.S. Government issues. Secretary Blumenthal also strongly supports that position. Although Secretaries Kreps and Marshall support private sector investments, the Board has deferred action in deference to the strong views of Secretary Blumenthal.

Alternatives

- I. Continue investing PBGC funds in the private sector.
- II. Require all PBGC-controlled funds to be invested solely in Government securities after orderly liquidation of acquired assets.
 - A. Submit legislation.
 - B. Request cooperation of cabinet officers on Board.

- III. Continue investment of acquired trust assets in private sector, but do not transfer funds derived from premiums to the trusts for such investment.
- IV. Continue current practices, but study all Government agency investment practices to see if a general policy should be established.

Discussion

I. Arguments for PBGC investments in private sector:

- ERISA requires PBGC to carry out its activities to (1) encourage private pension plans, (2) provide benefit payments to participants, and (3) keep premiums at the lowest level consistent with PBGC obligations under ERISA. It permits investment of trust assets in the private sector.
- Over the last 50 years an average investment in the private market returned substantially more than Government securities. PBGC therefore projects a substantially lower rate of return for Government securities, in turn requiring a premium of \$3.75 per pension plan participant rather than \$2.25, doubling the liability for employers terminating plans, and lower pensions to some workers who might otherwise receive unguaranteed benefits under ERISA's rule for allocating plan assets.
- PBGC differs from other Government insuring agencies since it must assure benefit payments over long periods of time. Initial amounts needed to pay such benefits (unlike immediate payments) are very sensitive to assumed investment returns.
- State and local Governments are increasingly investing pension funds in the private sector.
- The Presidentially appointed advisory committee established by ERISA to advise PBGC on its investments unanimously recommends investments in the private sector, including transfers of premium funds.

- The PBGC Board has established policies which effectively prevent Government officials from influencing contractors' individual investment decisions, and can devise ways of avoiding voting proxies. Thus conflicts of interest would not occur.
- The \$660 million of projected PBGC assets and the \$845 million now being invested by the other agencies noted above would not have any significant impact on capital markets.
- There have been no unfortunate results from existing agency private investment practices.
- The PBGC Board has already approved requesting a \$2.25 premium. PBGC staff have informally told the congressional committees and provided the analysis indicating that the figure is based on a private investment policy. Changing the investment policy now could be embarrassing and might prevent approval of the premium increase.
- Senator Javits has announced that if necessary he will introduce legislation to assure that assets of terminated pension plans are invested in private securities.

II. Arguments for limiting PBGC investments to Government securities

- Preserves the separation of the public and private sectors.
- Avoids any possible conflicts of interest which could arise if the Federal Government invests in the private sector to increase revenues.
- Avoids future embarrassing investment losses or "revelations" that the Government has made "undesirable" investments (e.g., in J.P. Stevens while it is resisting NLRB rulings; in General Motors when mortgage money is tight; in corporations operating in critical foreign areas). It is not clear that seeking the highest rate of return would be an acceptable justification.

- Prevents future attempts to require (legislatively or administratively) that investments be diverted to "desirable" purposes (e.g., housing, small business).
- Avoids necessity for exercising or abdicating ownership responsibilities (e.g., voting of proxies on controversial issues).
- Some 55 Federal trust funds hold \$144 billion in Government securities; investment of any significant portion of these in the private market would have unpredictable fiscal and market effects.
- The justification of reduced charges to employers and increased benefits for workers would be cited as a precedent for allowing private investment by the Railroad Retirement Board (current assets \$3.4 billion).
- The higher premium required by an assumed lower return from Government securities would increase total premium collections by only \$35 to \$40 million a year, averaging about \$425 per pension plan and thus would not significantly affect the economy or pension plans.
- The adverse impact of no private investments might be minimized if PBGC considered purchasing annuities from private insurance companies for each beneficiary of a terminated pension plan it takes over, eliminating the requirement for PBGC to invest trust assets. (This might have technical difficulties; Treasury believes it is the same as private investments but OMB disagrees with Treasury.)

III. Additional arguments for private investment of trust funds but no transfers from premiums for investment:

- PBGC as trustee of terminated plans is essentially continuing privately established and funded plans. They can be considered not to be Government funds and thus offer no precedent for Railroad Retirement or other programs which are funded by the taxing power.

- Mandatory premiums are the equivalent of taxes. Transfer to the trust funds for the purpose of investment in private securities would be a use of Government funds essentially indistinguishable from Railroad Retirement or other tax receipts.
- Refraining from transferring funds for investment would not affect anybody's benefits or any employer's liability. It would raise premium requirements from the proposed \$2.25 to about \$3.00.

IV. Process

A. Arguments for submitting legislation in lieu of asking the Board:

- It would provide a clear legal basis. Lawyers in PBGC, Treasury, and OMB agree that ERISA may place fiduciary responsibilities on the Board (particularly with respect to workers whose benefits may depend upon assumed investment returns), that it is not clear whether a "Government-only" investment policy would satisfy ERISA's fiduciary requirements, and that there is a possibility (Treasury believes remote, PBGC lawyers real) that courts would entertain and decide suits against Board members.
- The President could be criticized for participating in the decision when ERISA has no specific provisions for Presidential participation.

B. Arguments for asking the Board to change investment policy:

- Allows for immediate response and opportunity to reconsider premium proposal before formal submission; legislation could not be enacted quickly.
- Propounds the principle that PBGC is an Executive Branch agency headed by policy officials (cabinet secretaries) responsible to the President for conformance to overall policy decisions.
- If limited to transfer of premium funds, would not raise fiduciary problem and would be done as an exercise of specific Presidential authority under Government Corporation Control Act.

Decision

No Presidential involvement in PBGC investment policy.

Adopt "Government-only" policy for all PBGC investments.

Ask Board to Act.

Submit legislation.

Restrict PBGC private sector investments to trusts; no premium transfers for investment.

Ask Board to act.

Submit legislation.

No changes now, study Government investment policy.

Treasury lead.

OMB lead.

Other

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Electrostatic Copy Made
for Preservation Purposes

16 September 1977

TO: THE PRESIDENT
FROM: RICK HUTCHESON *Rich*
SUBJECT: Memos Not Submitted

1. COSTANZA MEMO informing you that she recently accepted petitions with 53,000 signatures from Cong. Henry Nowak and steelworkers from Lackawanna, NY, asking your assistance in preventing the permanent layoff of 3500 workers by Bethlehem Steel in Lackawanna.
2. FRANK MOORE MEMO in response to your request (on the congressional mail summary) to him to look into a telegram from Cong. Bud Shuster alleging refusal of NHTSA to provide information to Shuster about airbag demonstrations. Frank says: "Shuster is a vigorous opponent of airbags; after checking with DOT staff, we are convinced that his allegations are unfounded."
3. ARTHUR BURNS NOTE thanking you for the autographed photos which you recently sent him. Also, sending you a copy of his recent speech, "Vital Issues of Banking Legislation." The bulk of the speech explains why the Federal Reserve Board supports S. 2055 (nationwide NOW account authority). Burns also speaks against a proposal to give the GAO authority to audit the Federal Reserve.
4. AMBASSADOR JOHN WEST LETTER. A summary prepared by NSC indicates that he makes two key points:
 - in conversations with business leaders he finds much enthusiasm for your Middle East policy; and
 - within the American community there is great concern over the effects of the 1976 Tax Reform Act. Many Americans are leaving because the tax incentive for working abroad under difficult conditions is gone. American companies are hiring professionals from other nations (especially Britain, Canada) for key positions, at half the salary an American would be paid.

5. SECRETARY ADAMS MEMO reporting on the status of studies as a result of your 17 March 1977 Maritime Pollution Message. CEQ comments that Adams' report indicates "good progress" on the studies which are underway:

- At present we can respond to certain major pollution incidents within 24 hours. A report on the costs and feasibility of upgrading this effort to respond within six hours will be available by 15 November 1978.
- A study examining the costs and benefits of crude washing, a technique which uses crude oil to clean the cargo tanks of tankers, will be available by 1 May 1978. CEQ and Eizenstat consider this to be the most important study. Although the President's program favors segregated ballast, a self-enforcing protection, some nations and the oil industry argue that crude oil washing is an acceptable alternative. Eizenstat says that his staff is following through on this study with EPA and DOT.
- The evaluation of design, construction and equipment standards for tank barges which carry oil is 30% complete, with a report expected by 1 August 1978.
- A study of the feasibility of using long-range vessel surveillance and control systems to assist vehicles in navigating our offshore waters is 10% complete, and should be available by 1 October 1978.
- A study evaluating devices to improve the maneuvering and stopping ability of large tankers (to reduce the number of ramming and grounding accidents) is 15% complete, and should be completed by 1 September 1979.
- DOT is studying a fee collection mechanism for the comprehensive oil pollution liability compensation legislation currently before Congress. Final decisions must await the outcome of congressional action. DOT is coordinating with Treasury on this project.

Eizenstat adds that a key element in reducing maritime oil pollution is international cooperation. His staff is working on this with DOT, EPA and CEQ.

THE WHITE HOUSE
WASHINGTON

September 14, 1977

MEMORANDUM TO: THE PRESIDENT
FROM: MARGARET COSTANZA *mc*
RE: Lackawanna, New York - Bethlehem Steel
Plant employment cutback

On September 8, 1977 I met with Congressman Henry Nowak and representatives of the Local Union 2601 (Lackawanna, New York) of the United Steel Workers.

I accepted on your behalf petitions with 53,000 signatures requesting your assistance in preventing the permanent lay-off of 3,500 workers announced recently by Bethlehem Steel in Lackawanna.

Bethlehem Steel has given the Union the following reasons for the lay-off:

1. Imported steel and unfair competition.
2. De facto government price controls.
3. Rising costs of labor, materials and services.
4. Environmental and government regulations.

Also presented to me was a set of painted posters depicting the plight of the steelworker.

225 11 201

THE WHITE HOUSE
WASHINGTON

9/16/77

TO: Rick Hutchinson

For Your Information: _____

For Appropriate Handling: ✓

RL
Robert D. Linder



CHAIRMAN OF THE BOARD OF GOVERNORS
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

September 13, 1977

The President
The White House
Washington, D. C.

Dear Mr. President:

It was so good of you to send me the photographs taken at our recent meeting and also to take the trouble to inscribe them. I am deeply appreciative -- as are all members of my family.

I am enclosing a copy of a speech on banking legislation which I delivered yesterday in Louisville, Kentucky.

With very best wishes,

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Burns", is written above the typed name.

Arthur F. Burns

Enclosure

SEP 14 1977

For release on delivery
Monday, September 12, 1977
9:00 AM, E. D. T.

Vital Issues of Banking Legislation

Vital Issues of Banking

Address by

Arthur F. Burns

Chairman, Board of Governors of the Federal Reserve System

at the 83rd Annual Convention of the

Kentucky Bankers Association

Louisville, Kentucky

September 12, 1977

It is a great pleasure for me to be here today and to have the privilege of addressing this gathering.

I thought I might usefully speak to you about some of the legislation pending in the 95th Congress. This is a busy season for banking legislation. Bills under consideration deal with such diverse subjects as nationwide NOW accounts, the financial burden of Federal Reserve membership, the operation of foreign banks in this country, the restructuring of bank supervisory and regulatory authority, and revision of the Truth in Lending statute. There are, moreover, various proposals in the Congressional hopper that aim in one way or another at circumscribing the Federal Reserve's scope for independent judgment and decision.

I cannot, of course, cover this morning all the banking legislation that is now pending. But I welcome this opportunity to comment on some of the major bills that have been introduced, and also to indicate why we at the Board are so deeply concerned about the character of numerous proposals that keep being advanced under the banner of "reform."

Let me say something first about S. 2055 - the legislative package that combines authority for nationwide NOW accounts

with measures to lighten the burden of Federal Reserve membership. As you know, this bill was voted out of the Senate Banking Committee in early August and may soon be debated on the Senate floor.

I am well aware that some of you have serious reservations about this bill. Indeed, I have heard from many bankers around the country who object to some of its key provisions -- particularly the contemplated extension of NOW-account authority -- and who urge the Federal Reserve to withdraw its support of the measure. The impact on earnings of paying interest on transactions balances is obviously of concern -- and properly so -- to commercial banks, especially those for which the checking accounts of individuals make up a large portion of total deposits.

Let me assure you that we at the Federal Reserve Board recognize the importance of good bank earnings. We well know that unless earnings are reasonably satisfactory, commercial banks will not be able to serve their communities or the national economy in an effective manner. We also believe that bank earnings will be adversely affected for a time during the transition to a NOW-account environment. That has certainly been the experience with NOW accounts in New England.

Why, then, it may fairly be asked, does the Federal Reserve support nationwide NOW-account authority?

The reason essentially is that we think it is important to bring a sense of order to a development that has the look of inevitability about it but which to date has proceeded in haphazard fashion. The simple fact is that by one means or another depositors have been increasingly successful in earning interest or its equivalent on their transactions balances. Such interest is implicit in the banking services that are provided bank customers without charge or below cost. Beyond this, and on a growing scale, many customers of financial institutions are already receiving interest in cash on transactions balances -- not only in the New England states where NOW's are authorized, but throughout the country. This is the consequence, as you well know, of recent financial innovations that enable individuals as well as corporations to move funds readily between interest-bearing accounts and checking deposits or between money market instruments and checking deposits. Congressional inaction will not stop the spread of interest payments on what are in effect transactions balances; it would simply mean that the movement will go forward without guidance at the national level, attended by

inefficiency and competitive distortion. My colleagues and I thus see S. 2055 as a vehicle for guiding this development in a gradual and orderly fashion while limiting the adverse effects on bank earnings.

I well understand the displeasure that commercial bankers feel over the fact that S. 2055 would in effect confer checking-account authority on thrift institutions while leaving intact their ability to pay savings depositors a higher rate of interest than can commercial banks. To be sure, all depository institutions that decide to offer NOW accounts under the new authority would do so on the same terms, so that the troublesome interest-rate differential would be eliminated for that category of deposits. However, since NOW accounts would expand the powers of thrift institutions to a point where they could offer depositors the attractions of "one stop banking," the extension of parity should not be limited to newly created NOW accounts. Both logic and equity suggest that thrift institutions should enjoy either NOW-account authority or the interest-rate differential -- but hardly both.

The difficulty of overcoming opposition to any modification of the differential must not, however, be underestimated. This was evidenced by the failure of the Senate Banking Committee to accept an amendment by Senator Lugar, which would have

restored the power that bank regulatory agencies had until late 1975 to adjust the differential without ratifying action by the Congress. I have indicated to Senator McIntyre, the distinguished sponsor of the NOW-account legislative package, the desirability of removing the ratification requirement because it constitutes an impediment to timely adjustment of deposit interest-rate ceilings as circumstances change. Even though Senator Lugar's amendment failed in Committee, this moderate step toward less rigidity with regard to the differential deserves sympathetic consideration by the Congress at large. Senator McIntyre's support of the amendment was particularly encouraging. I hope that interested parties will continue to press the issue.

In your continuing assessment of S. 2055, I would urge that you weigh carefully the point I have made about the disadvantages inherent in letting interest payments on what are essentially transactions balances continue to spread in haphazard, piecemeal fashion. Neither individual bankers, nor their non-bank competitors, nor State legislatures, nor bank regulators, nor the Congress itself are likely to stand still. On the contrary, actions that serve to expand the payment of interest on transactions balances by all types of depository institutions

will continue to multiply. It is my strong conviction that ultimately both the general interests of the Nation and the particular interests of commercial banks will be poorly served if the changes we have been witnessing are not subjected to orderly direction.

The transitional problems faced by financial institutions in adapting to NOW accounts will not be easy, but they ought to be less troublesome in most parts of the country than they have been in New England. I say this in part because the New England experience is available as a guide. It surely should be possible to avoid repeating some of the mistakes -- particularly the mistakes in pricing -- that were made by various institutions in that region. Indeed, it seems clear from the statistical evidence that depository institutions in Connecticut, Maine, Rhode Island, and Vermont have generally been able to profit from the earlier NOW-account experience in Massachusetts and New Hampshire. Banks and thrift institutions in the New England states that were relative latecomers to the NOW experiment have tended to pursue more cautious marketing and pricing strategies, and their earnings have consequently stood up better.

There are also other reasons for thinking that New England's experience is not likely to be repeated in other regions. For one thing, competition between commercial banks and thrift institutions appears to be somewhat more vigorous in New England than in most parts of the country. Then, too, S. 2055 is deliberately structured to minimize transition costs and protect bank earnings. It limits eligibility for NOW accounts to individuals. It gives regulatory agencies discretion to set a lower interest rate ceiling for NOW's than currently prevails in New England. It authorizes the payment of interest on reserve balances held at the Federal Reserve, including reserves against the NOW accounts. It anticipates lower reserve requirements on NOW accounts than on demand deposits. It allows more room for reductions in the reserves required of member banks, especially the smaller banks. And it delays the effective date of nationwide NOW-account authority for one year after the enactment of legislation.

These things in combination make it seem likely that depository institutions across the country will be able to maintain their earnings reasonably well as they move to NOW accounts.

I would note especially that the one-year waiting period will afford banks time for rational planning of their operational systems and marketing strategies for NOW accounts. Without this array of provisions designed to maintain earnings strength, the Federal Reserve Board, I assure you, would not be willing to support the NOW-account proposal.

That there will nevertheless be some net cost to many commercial banks in making the transition to NOW's also seems clear. That is why we at the Board have been at such pains to keep this cost down and that is also why we have been so insistent on combining the NOW-account proposal with action to lighten the financial burden of Federal Reserve membership.

Member banks are already very sensitive to the cost disadvantage they suffer vis-à-vis nonmembers because of the more onerous reserve requirements they have to meet. This has resulted in recent years in a significant erosion of membership -- particularly on the part of smaller banks. There is no question at all in my mind that this membership erosion would accelerate if we were to go forward with nationwide NOW's without taking simultaneous action to lighten the burden of membership. That is the reason, of course, the Board has

worked so intensely to obtain authority to pay interest on reserve balances and to be in a position to lower reserve requirements -- particularly for the smaller banks.

A healthy, effective central bank is not a matter of parochial concern -- of importance only to Federal Reserve officials and member banks. The Federal Reserve serves the entire financial community and indeed the Nation at large. It would be in no one's interest to see its vitality sapped. Unless the erosion of membership is arrested, a steadily diminishing portion of commercial bank deposits will be lodged with members and the execution of monetary policy will therefore become less and less precise. Other things trouble me still more. Provision of lender-of-last-resort facilities was a critical reason for establishing the Federal Reserve System. I do not like to contemplate the ultimate consequences for the soundness of our banking structure if fewer and fewer banks enjoy ready access to the System's discount window.

Declining membership could also threaten the insulation of the Federal Reserve System from day-to-day political pressures. The System's independence from such pressures will remain sustainable, I believe, only as long as the System

continues to have balanced representation of membership among all sizes of banks across the country. But membership attrition has been most acute among smaller banks -- those with deposits of less than \$100 million. If the exodus continues and the remaining members are only the larger banks, the Federal Reserve will then be perceived by the public as a big banker's bank. This would almost certainly generate disenchantment with the System. In time, the Federal Reserve's independence -- which enables it to base monetary policy on long-range considerations as well as those related to the short term -- would diminish if not entirely end.

I hope that these comments on key provisions of S. 2055 may suffice to show why we at the Board view the bill on balance as a constructive and desirable piece of legislation. I said before that I know many of you have reservations about it, and I understand the reasons for those reservations. I nevertheless believe that it would be the better part of wisdom to retain an open mind toward this legislative effort and seek to improve it rather than scuttle it.

Let me now turn to other items in the legislative mill. I noted earlier that the banking bills under consideration this

year include the usual array of measures to "reform" the Federal Reserve System. The Federal Reserve Reform Act of 1977 recently cleared the House Banking Committee in a form greatly different from the measure originally proposed. Fortunately, the most troublesome features of the bill were eliminated during the Committee markup and this is an encouraging fact. One of the defeated provisions -- that dealing with so-called lobbying communications -- would have placed very broad restrictions on the right of Federal Reserve officials to communicate with bankers about legislative matters. Indeed, were it ever to become law, there would be a serious question whether I or any of my colleagues would be able to address an assemblage such as this in the manner I am doing. Other rejected provisions would have required the Federal Reserve to publicize at quarterly intervals numerical forecasts of interest rates and other sensitive financial variables. Forecasts of interest rates by the Nation's central bank may seem harmless at first blush, but any such pronouncement by the Federal Reserve would in practice carry implications for debt markets that could generate wide and unsettling swings in security prices.

The wish to have us make such pronouncements is somewhat puzzling. My best guess is that preoccupation with interest rates -- particularly with trying to influence the Federal Reserve to keep interest rates down -- often tends to blur judgment. Populist emphasis on low interest rates appears to be a key reason for the steady stream of proposals that in one way or another would enlarge opportunities for exerting political influence upon monetary policy. A less independent Federal Reserve -- particularly one that would be less concerned about inflation and thus more generously accommodative of credit demands -- clearly remains an objective of many people.

A perennial favorite for the past quarter century of those who would like to see the Federal Reserve enjoy less independence is the proposal to subject the System to audit by the General Accounting Office. Indeed, a bill giving the GAO sweeping authority to audit the Federal Reserve -- as well as the Federal Deposit Insurance Corporation and the Comptroller of the Currency -- was introduced in the House last January. In the course of the recent markup by the House Government Operations Committee, a number of provisions were wisely incorporated in the bill with a view to affording some protection

against disclosure of confidential information. Even so, the measure retains major deficiencies and ambiguities, and we thus feel compelled to oppose it. Incidentally, the bill is expected to be on the calendar for floor action very soon, possibly this week or next.

The bill raises serious questions of public policy. The Federal Reserve Banks have never been subject to GAO audit. The exempted status of the Board dates back to the Banking Act of 1933. The complete exemption of the Federal Reserve System from GAO audit since 1933 thus complements the original exemption of the Federal Reserve from the appropriations process. These exemptions have conferred on the Federal Reserve a heavy responsibility to conduct its affairs with the highest standards of probity; they have also enabled the System to determine its internal management free from political pressures. Exemption from GAO audit is one of the main pillars of Federal Reserve independence.

In exempting the Federal Reserve from customary appropriations and auditing procedures, the Congress has recognized the special political vulnerability that a central bank tends to develop if it in fact comports itself as it should in carrying out its monetary function. It is simply a fact of life that whenever a central bank imposes monetary discipline, it almost always

generates a good deal of opposition. Those displeased with Federal Reserve performance would surely have greater leverage in their efforts to get monetary policy changed if the System were subject to customary appropriations and auditing procedures. I do not mean to suggest that our stewardship should be beyond examination. Accountability by the Federal Reserve is obviously essential, and we believe that the arrangements Congress has fashioned across the decades achieve thorough accountability within a framework of safeguards that take account of the special vulnerability to which central banks are everywhere subject.

What concerns the Board most about proposals for a GAO audit is that such auditing may become a device through which pressure is brought to bear directly on the formulation of monetary policy. To be sure, the pending GAO audit bill excludes a broad range of monetary policy deliberations and transactions from the proposed audit, but it does not flatly and unambiguously exclude all monetary policy matters. For example, the Committee Report indicates that the GAO would have authority to audit and evaluate discount-window transactions to the extent that such transactions are related to the supervisory function of the System -- as distinct from its

monetary policy function. This is an extremely fuzzy distinction, and it could easily become a vehicle for GAO intrusion into monitoring monetary policy -- an area in which that venerable institution has neither experience nor expertise, to say nothing of responsibility.

It is to the credit of the pending bill that it recognizes the need to protect sensitive and confidential information concerning private parties. But I am by no means satisfied that the bill's provisions in this regard are adequate. Except for records pertaining to monetary policy, the GAO would be given access to "all books, accounts, records, reports, files, memorandums, papers, things, and property belonging to or in use by the entities being audited, including reports of examination of banks or bank holding companies . . . together with workpapers and correspondence relating to such reports . . . " These materials obviously include a great deal of sensitive information. And while the bill prohibits the GAO from identifying individuals and institutions in its public reports to Congress, all such information could still be made available to Congressional committees sitting in executive session. Experience suggests that this limitation is scant guarantee that sensitive and confidential information about banks and their customers would not find its way

into the public domain. Great damage could thus be caused to banks, individuals, and business enterprises. In self-protection bankers might soon become less forthcoming to examiners, while their work in turn might become infected either by timidity or by zealotry because of the potential for disclosure. The integrity of the entire bank examination process could therefore be undermined.

Ultimately, as I have tried to suggest, the exemption of the Federal Reserve from GAO audit can be properly understood only in the context of the importance that Congressional shapers of the Federal Reserve System have attached to insulating this Nation's central bank from day-to-day political pressures. That present audit arrangements for both the Board and the Federal Reserve Banks are thorough and effective has, I believe, been demonstrated by Federal Reserve officials in public testimony time and time again. It is a fact, moreover, that besides the auditing reports that go to the Congress each year, a great deal of detailed information about Federal Reserve activities and operations is supplied to Congressional committees in response to a steady stream of inquiries. When one also takes into account the scope of the public oversight hearings conducted by the House and Senate Banking Committees, the need for a GAO

oversight role is doubtful at best. If the Congress should nevertheless want to go to the considerable expense of an additional audit by the GAO, I certainly hope that such legislation would not allow the GAO to involve itself in any way with monetary policy procedures or deliberations, and that it would also fully protect sensitive and confidential information concerning banks and their customers.

I am mindful that my remarks have been lengthy, particularly for the opening session of a working convention. Even so, there is much in the field of banking legislation on which I have not commented. For example, the Senate Banking Committee will soon consider a proposal to establish a Federal Bank Commission that would assume responsibility for the supervisory and regulatory work now carried on by the three banking agencies. In the Board's considered judgment, removal of the Federal Reserve's supervisory and regulatory responsibilities would at times seriously lessen the effectiveness with which monetary policy is carried out, and that is one basic reason -- among others -- why we are opposed to it. I regret that I cannot discuss this bill fully today, but I hope that you and other bankers in our country will make the effort to familiarize yourselves with the issues surrounding it.

In closing, I would like to touch on one more matter. In recent weeks, banking practices have become prominent in the general news, and as a result are coming under special Congressional scrutiny. Chairman St Germain's subcommittee, for example, has already embarked on hearings dealing with a range of banking practices -- among them, correspondent bank relations, bank policies relating to loan collateral, and bank policies relating to overdraft facilities. Chairman Proxmire has scheduled hearings on similar topics toward the end of this month. Specific legislation directed at some of the banking practices that have recently received public attention will soon be considered.

I deem it premature to make any kind of judgment as to how sustained the legislative interest in such matters will be or to what specific ends it will be directed. My hope is that a sense of calm deliberation and balance will be maintained -- difficult though this may be at present. We cannot remind ourselves too often that haste can easily make for bad legislation.

For several years, the Federal Reserve has been in the forefront of efforts to obtain added enforcement authority for Federal banking agencies. Our efforts in that direction in no

sense imply an unfavorable view of banking. Like other industries, banking is not free of problems, but it is my judgment that generally high standards of behavior prevail in banking. The Federal Reserve's long-standing interest in greater enforcement authority simply reflects our belief that some gaps in supervisory authority exist and that improved enforcement powers are appropriate.

The 94th Congress did not give much attention to our initiative. This year, however, after full and calm deliberation, the Senate passed S. 71 -- a regulatory and supervisory bill that embodies more stringent rules on insider loans, strengthens cease-and-desist as well as officer-removal powers, and provides a range of cash penalties for violations of banking law or regulation. At present, the absence of an effective range of penalties at times causes undue restraint on the enforcement procedures of bank regulators.

Perhaps legislative remedies beyond those contained in S. 71 are needed. I certainly have an open mind on this question. But I would urge full deliberation before wider legislative remedies are enacted. The banking legislation that I have reviewed with you or alluded to this morning is quite enough for the Congress to handle in the remainder of this year.

I have talked a long time and I certainly dare not
burden you with anything else. May I just express my
appreciation once more for the privilege of visiting with
you.

* * * * *

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

September 16, 1977

TO: THE PRESIDENT
FROM: FRANK MOORE *F.M.*
RE: Rep. Bud Shuster telegram of 9/14 (attached)
alleging refusal by the National Highway
Traffic Safety Administration to provide
information to Shuster about airbag demon-
strations

In addition to Rep. Shuster's telegram to you, attached is Terry Bracy's response to a direct inquiry from Shuster which he received. Shuster is a vigorous opponent of airbags; after checking with DOT staff, we are convinced that his allegations are unfounded.

TELEGRAPHIC MESSAGE

NAME OF AGENCY National Highway Traffic Safety Administration	PRECEDENCE ACTION: INFO:	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED 9/13/77	TYPE OF MESSAGE <input checked="" type="checkbox"/> SINGLE <input type="checkbox"/> BOOK <input type="checkbox"/> MULTIPLE-ADDRESS
FOR INFORMATION CALL		
NAME Judie Pasquini	PHONE NUMBER x61836	

THIS SPACE FOR USE OF COMMUNICATION UNIT

140810Z

MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)

TO:

R45B PAB

HONORABLE E. G. SHUSTER
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20510

DEAR MR. SHUSTER:

THE SECRETARY AND ADMINISTRATOR ASKED ME TO REPLY TO YOUR COMPLAINTS BY RETURN TELEGRAM, AND TO MAKE THE FOLLOWING POINTS:

FIRST, THE NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION DOES NOT HAVE A CONGRESSIONAL LIAISON STAFF, AND ANY REQUEST FOR INFORMATION OF THE KIND YOU SOUGHT SHOULD HAVE BEEN DIRECTED TO THE DOT LIAISON STAFF WHICH I HEAD. WE CANNOT LOCATE ANYONE IN THE DEPARTMENT WHO REFUSED TO GIVE YOU OR YOUR STAFF INFORMATION ON THE ROUTING OF AIR BAG DEMONSTRATION CARS.

SECOND, THE DEMONSTRATION CARS ARE DISPATCHED BY REGION AND ARE IN LARGE PART "ON THEIR OWN." THEY ARE BEING SCHEDULED ON AN AD HOC BASIS BY THE FIELD STAFF -- AND NOT AT NATIONAL HEADQUARTERS.

THIRD, WHEN WE DO HAVE ADVANCE KNOWLEDGE OF PARTICULAR ACTIVITIES, WE CALL IMMEDIATELY AND SO INFORM THE LOCAL CONGRESSMEN. LITERALLY DOZENS OF YOUR COLLEAGUES HAVE RECEIVED SUCH CALLS.

SECURITY CLASSIFICATION

PAGE NO. NO. OF PGS.

1

2

TELEGRAPHIC MESSAGE

NAME OF AGENCY National Highway Traffic Safety Administration	PRECEDENCE ACTION: INFO:	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION	DATE PREPARED 9/13/77	TYPE OF MESSAGE <input checked="" type="checkbox"/> SINGLE <input type="checkbox"/> BOOK <input type="checkbox"/> MULTIPLE-ADDRESS
FOR INFORMATION CALL		
NAME Judie Pasquini	PHONE NUMBER x61836	

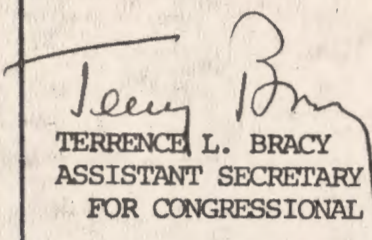
THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)

TO:

BECAUSE THE AIR BAG DEMONSTRATIONS ARE SCHEDULED LOCALLY, WE OFTEN DO NOT KNOW THE SPECIFIC TIMES AND PLACES WHERE THE CARS ARE BEING SHOWN. WE LEARN AS FREQUENTLY AS POSSIBLE PRIMARILY BY TELEPHONE ABOUT THE VARIOUS ACTIVITIES BUT DO NOT ATTEMPT TO MAINTAIN A MASTER LIST.

WE STAND READY TO PROVIDE YOU, YOUR STAFF, ANY MEMBER OF CONGRESS OR THE PUBLIC WITH REPORTS ON THE DEMONSTRATIONS AS WE RECEIVE THEM, AND WITH OUR IDEAS ON PROSPECTIVE SITES.


TERRENCE L. BRACY
ASSISTANT SECRETARY

FOR CONGRESSIONAL & INTERGOVERNMENTAL AFFAIRS

140810Z

SECURITY CLASSIFICATION

PAGE NO.	NO. OF PGS.
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Sent to Jerry Bracy
9/14
reg. rept.

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SUSPECTED DUPLICATE: 1-012891A255 WHB 032 ICS IPMUAWA WSH

11033 GOVT BU WASHINGTON DC 163 09-12 237P EDT

PMS

HONORABLE JIMMY CARTER

THE WHITE HOUSE

WHITEHOUSE DC

BT

DEAR MR. PRESIDENT:

I AM DEEPLY CONCERNED THAT CERTAIN OFFICIALS WITHIN THE
DEPARTMENT OF TRANSPORTATION ARE ENGAGED IN A CAMPAIGN TO
SUPPRESS CERTAIN INFORMATION RELATIVE TO THE DEPARTMENT'S
RULING ON AIRBAGS/PASSIVE RESTRAINTS. SPECIFICALLY, REQUESTS

FROM MY OFFICE TO THE OFFICE OF CONGRESSIONAL LIAISON OF THE
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION TO OBTAIN A
COPY OF THE SCHEDULE OF FUTURE AIRBAGS DEMONSTRATIONS WERE
DENIED. REPEATED ATTEMPTS TO OBTAIN THIS SCHEDULE WERE MET
WITH RESPONSES INDICATING THAT NO SUCH SCHEDULE IS AVAILABLE.
MR. PRESIDENT, I HAVE BEEN A VOCAL OPPONENT OF THE AIR BAG ORDER
BECAUSE I DON'T BELIEVE THE EVIDENCE SUPPORTS IT. BUT I BELIEVE
BOTH SIDES OF THE STORY MUST BE HEARD IN ORDER TO ARRIVE AT A
RATIONAL, REASONED DECISION. THE ATTEMPTS BY NHTSA TO WITHHOLD
PUBLIC INFORMATION IS DESPICABLE, AND I URGE YOU TO TAKE THE
NECESSARY STEPS TO REQUIRE NHTSA TO MAKE ALL DATA RELATING TO
AIRBAGS AVAILABLE NOT ONLY TO MEMBERS OF CONGRESS, BUT TO THE
PUBLIC AT LARGE.

BUD SHUSTER MEMBER OF CONGRESS

THE WHITE HOUSE

WASHINGTON

Date: September 15, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Jack Watson *W*
Charles Warren

FOR INFORMATION:

The Vice President
Bert Lance
Secretary Schlesinger

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Adams memo dated 9/12/77 re A Report on the
Status of the Studies as a Result of Your March 17,
1977 Maritime Pollution Message to Congress

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 12:00 NOON

DAY: Saturday

DATE: September 17, 1977

ACTION REQUESTED:

Other: ☐ Your comments

STAFF RESPONSE:

☐ I concur. ☐ No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

SEP 12 1977

FYI

MEMORANDUM FOR THE PRESIDENT

SUBJECT: A Report on the Status of the Studies as a Result
of Your March 17, 1977 Maritime Pollution
Message to Congress

This memorandum is a report on the status of the studies undertaken by the Coast Guard as a result of your March 17, 1977 maritime pollution message to Congress. These studies are directed toward evaluating promising programs and techniques for further reducing marine oil pollution.

We presently have a capability to respond to certain major pollution incidents within 24 hours. An effort is now underway which will determine the costs and feasibility of upgrading this capability in order to provide adequate response within six hours for a spill of up to 100,000 tons of oil. Studies are being conducted to identify the present inventory of government and private sector response equipment available, determine the staging locations and optimum amounts of equipment required, assess the requirements to respond to catastrophic spills, and determine the feasibility of developing a response capability in extreme weather conditions. A report of costs and feasibility of the upgraded capability will be available by November 15, 1978.

A study to examine the costs and benefits of crude washing, a technique which utilizes crude oil to clean the cargo tanks of tankers, is well underway. Related personnel qualifications, training and equipment requirements and the economics of the crude washing system are under evaluation. The results of the February 1978 IMCO Plenipotentiary Conference could impact on the study findings and will be included in a report which will be available by May 1, 1978.

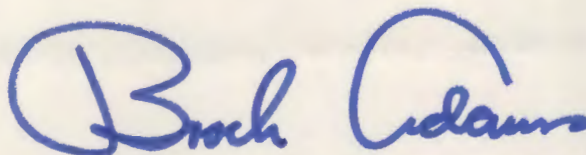
The evaluation of design, construction and equipment standards for tank barges which carry oil is 30% complete and a report will be available by August 1, 1978. This study effort will draw together work already done with information from ongoing projects to put the entire tank barge pollution problem into perspective; thus recommendations can be made that address requirements for existing barges as well as for new construction.

The feasibility of using long-range vessel surveillance and control systems to assist vessels navigating in our offshore waters is now being actively studied. A technological assessment to determine the applicability of various surveillance techniques to this problem will be conducted in conjunction with an evaluation of each alternative's effectiveness in casualty prevention. The project is presently 10% complete and a report will be available by October 1, 1978.

In order to satisfy the overall objective of reducing the number of collision, ramming and grounding accidents, a study is now underway to evaluate various devices to improve the maneuvering and stopping ability of large tankers. The use of shiphandling simulators as a tool in evaluating these devices is being considered. Both these efforts are directed at determining how certain devices (or techniques) improve the handling characteristics of various vessels. The costs and benefits of these new devices will be examined. This study is now 15% complete and a report will be completed by September 1, 1979.

A fee collection mechanism for the comprehensive oil pollution liability compensation legislation currently before Congress is under consideration. Final decisions must await the outcome of Congressional action. I have contacted the Secretary of the Treasury in order to establish a joint study effort on this project. Subject to the requirements established by Congress in the final legislation, it is presently envisioned that the fee collection procedures will closely parallel those currently employed for collecting the fuel tax used for the Federal Highway Trust Fund. A report outlining these collection procedures will be available in time to meet the anticipated effective date of the legislation.

I believe that the actions now underway to seek solutions to the many problems of marine oil pollution will provide us with fundamental information should it be necessary to develop further regulations dealing with these issues.

A handwritten signature in blue ink, reading "Brock Adams". The signature is fluid and cursive, with the first name "Brock" and last name "Adams" clearly distinguishable.

Brock Adams

Date: September 15, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat
Jack Watson
Charles Warren

FOR INFORMATION:
The Vice President
Bert Lance
Secretary Schlesinger

513

X^c *Camp*
Fletcher

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Adams memo dated 9/12/77 re A Report on the
Status of the Studies as a Result of Your March 17,
1977 Maritime Pollution Message to Congress

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Saturday

DATE: September 17, 1977

ACTION REQUESTED:

____ Your comments
Other:

STAFF RESPONSE:

____ I concur. ____ No comment.
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretaries' Office. (Telephone 3052)

Date: September 15, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
 Jack Watson
Charles Warren

FOR INFORMATION:

The Vice President
 Bert Lance
 Secretary Schlesinger

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Adams memo dated 9/12/77 re A Report on the
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Other: ☐ Your comments

STAFF RESPONSE:

☐ I concur. ☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

TD
 Katty
 G. L. K. L. L. L.
 For your review
 & report back
 Rumb.
 C.W.

Date: September 15, 1977

MEMORANDUM

FOR ACTION:
Stu Eizenstat
Jack Watson
Charles Warren

FOR INFORMATION:
The Vice President
Bert Lance
Secretary Schlesinger

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Secretary Adams memo dated 9/12/77 re A Report on the
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TO THE STAFF SECRETARY BY:

TIME: 12:00 NOON

DAY: Saturday

DATE: September 17, 1977

ACTION REQUESTED:

____ Your comments
Other:

STAFF RESPONSE:

____ I concur.
Please note other comments below:

☒ No comment.

gw

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

September 16, 1977

MEMORANDUM FOR RICK HUTCHESON

FROM: CHARLES WARREN

Charles

SUBJECT: Report to the President by the Secretary of Transportation
on the Status of Studies as a Result of the President's
March 17, 1977 Maritime Pollution Message to Congress

The Secretary's report indicates good progress in a number of the subject studies. Of the six study areas mentioned, the one on crude oil washing of cargo tanks of tankers is most important at this time from a policy standpoint. Crude washing is certain to be proposed, both by industry here in the U.S. and some governments in IMCO, as a possible alternative to the segregated ballast requirement contained in the President's program.

We believe that Transportation's study of the costs and benefits of crude washing must be broad enough to include such highly important considerations as safety, effects in air quality in ports, and enforcement problems.

In view of possible air quality implications it would be desirable for EPA to contribute to the study.

THE WHITE HOUSE

WASHINGTON

September 17, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

Stu

SUBJECT:

Secretary's Adams' Summary
of Status of Marine Oil
Pollution Studies

Secretary Adams' memorandum adequately summarizes the status of the maritime pollution studies following up on your March 17, 1977 Message.

The study with most immediate significance is the analysis of crude oil washing. Some nations and the oil industry have stated that crude oil washing is an acceptable alternative to segregated ballast. Although we favor segregated ballast, a self-enforcing stronger protection, we need better data on the alternatives. My staff will follow through on this to make sure that the study is addressing all of the key issues, and that DOT is coordinating with EPA on this study.

Another key point is that our efforts at reducing maritime oil pollution depend on international cooperation. My staff is working with DOT, EPA and CEQ to make sure that our international efforts are as effective as possible. The data developed by these studies will be helpful in our international work.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

5866

September 17, 1977

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB.*
SUBJECT: Letter from Ambassador West

Attached is another letter from Ambassador West. He encloses two editorials from Saudi papers and provides some background on the author. In addition to his personal comments about his satisfaction with his job, he makes the following two points:

--In his conversations with business leaders he has found much enthusiasm for and approval of your Middle East policy.

--Within the American community there is great concern over the effects of the 1976 Tax Reform Act. Many Americans are leaving because the tax incentive for working abroad under difficult conditions is gone. American companies are hiring other nationals, especially British, for key positions (at half the salary they would pay an American). The President of ARAMCO said that expansion plans (up to 16 million barrels per day) require him to hire 800 key professionals and technicians. Because of the effects of the Tax Act, they are now recruiting in Canada.

JOHN C. WEST
AMERICAN EMBASSY
APO NEW YORK 09697

Aug 27, 1971

Dear Mr. President:

I am enclosing two editorials from recent issues of the Arab News. I have found that the editorials reflect pretty well the sentiment of the Saudi Arabian government. There is no censorship as such but the news-papers receive a government subsidy. If they print anything too much in conflict with government policy, they are called to account.

The writer of these editorials is a Palestinian, Jihad al Khayzr, who is the senior editor. I have gotten to know him fairly well, having had him to lunch, etc. In an interview several days later, I believe he ended up telling me far more than I told him!

Kamal Adham reportedly owns controlling interest in the paper. He is the Egyptian who is the Saudi

JOHN C. WEST
AMERICAN EMBASSY
APO NEW YORK 09697

Contact with President Sadat. He is the unofficial man behind the scenes in the government here. He is the brother of ^{the late} King Faisal's wife so is Prince Saud's Uncle. A most interesting person and I'm giving you this background because I will have an additional report to give to you and Cy (the value of which I frankly can't assess) when I get back to Washington in October.

Incidentally, you are most thoughtful to acknowledge these letters but I repeat it is not necessary or expected. I know the time demands on your schedule and do not want to add to them in anyway. My thinking is that these unofficial, personal thoughts with an occasional editorial or other clipping may be of interest to you or your staff. (I suppose Judy sees that you get a daily digest of editorials and I suppose the arab input is welcome, especially since they are mostly favorable).

JOHN C. WEST
AMERICAN EMBASSY
APO NEW YORK 09697

I have just come back from a three day visit to Dhabran which is on the Arabian Gulf and is of course where the oil fields are located. I had been there previously only once and that was with Senator Javits on a hurried one day trip.

There are approximately 15,000 Americans there with a total of 150 U.S. companies represented. We had a reception for the business leadership while there and two facts stood out above all else:

(1) There is complete and enthusiastic approval of your Mid-East policy. Persons who identified themselves as life-long Republicans commented that you were the first president to really understand the Mid-East problem and had the courage to try to solve it.

(2) There is great concern over the effects of the 1976 Tax Reform Act as it affects Americans here. Under the amendments to Sec 911, all

JOHN C. WEST
AMERICAN EMBASSY
APO NEW YORK 09697

allowances are taxed at their current market values (such things as rent on a 3 BR house is \$25,000 per year) and the Overseas exemption is being scaled down.

The results are twofold: (1) Americans are leaving in droves because the incentive for working here under difficult conditions (120° weather for the last month) is gone; and (2) American companies are hiring other nationals, especially British, for key positions. All of the studies indicate that a U.S. company can hire a competent British Engineer for $1/2$ the cost of an American.

The President of Aramco (Arab-American Oil Co) told us that in conjunction with their expansion plans (up to 16,000,000 bbls per day) they needed to hire 800 Key Professionals + Technicians. Normally they would look to the U.S. for them, but because of the effects of the Tax Act, they are

JOHN C. WEST
AMERICAN EMBASSY
APO NEW YORK 09697

now opening a recruiting office in Canada. I know that there are arguments to the contrary, but I felt I should report to you the conditions and attitudes reflected here. Incidentally a SAO team has just finished a three weeks survey and study and I feel sure they will recommend some adjustments.

Finally, a brief personal word - Today is my birthday - 55 years (tell Rosalyn that the fifties are the best years of life). Lois and I have never been happier. The life here is interesting, exciting and challenging. Because of your leadership in attempting to find peace in the Mid-East, the credibility of the U.S. has never been higher - and we're the beneficiaries in a very personal way. Thank you again for permitting us to be a part of the effort.

Lois joins me in warm regards to you & Rosalyn.

Sincerely,
JCW

THE LANCE ANGLE

Tuesday, the "Washington Star" said editorially that Israeli Prime Minister Menahem Begin was "playing with fire." Coming from a pro-Israeli newspaper the importance of the statement cannot be exaggerated. Still, President Carter's press conference the same day was taken up mostly not by the Middle East but by a fresh controversy involving budget Director Bert Lance, a personal friend of the president.

It appears that American presidents will be sidetracked from the Middle East for ever. Richard Nixon spent two years fighting Watergate before he finally lost. The break-in, of course, happened before the 1973 war or the 1972 elections themselves. It was not considered important enough during the elections and Nixon won an overwhelming victory. But the deeper Mr. Nixon became involved in the Middle East but by a fresh controversy involving budget finally evicted from office and the first nonelected president in U.S. history took over.

That was good for another two years and now President Carter is in office. He is not a Richard Nixon and his morals and principles appear to be high enough to measure other people by them. So he suddenly becomes involved in the personal finances of Mr. Lance. Since Mr. Nixon's unhappy presidency, senior state officials have been coming under closer scrutiny. That is understandable. But despite months of delving into Mr. Lance's accounts and his former banks there have been no sensational revelations. The most that investigators could come up with were general questions about what constituted acceptable banking practices. In short, Mr. Lance is innocent.

In fact, a government inquiry concluded last week that he was innocent of any wrongdoings. For a banker to stand up to such close scrutiny and come out clean must be a great honor. Bankers may be many things but they are certainly not saints. The investigating committee, Congress, the president and the U.S. banking community know what methods are employed by bankers and if Mr. Lance asks those without sin to throw the first stone, we are sure he will go, unscathed.

Still, President Carter must withstand a bombardment of questions about a scandal that does not exist while the Middle East is left simmering. Is it a kind of diversionary tactic? We hate to ask the question because even to ourselves it sounds paranoiac. We hope we will never search for Reds under the bed. But the other alternative to the question is that the American public — as represented by the press corps catering for its needs — is naive enough to bungle the order of priorities of a super-power. If it is, America has no business being a super-power. Let Mighty Mouse run the world.

CONTINGENCY PLAN

The United States is past-master at war games (Marines have been training for some time now on desert warfare but that's another story). It is reputed to have contingency plans for almost anything: hypothetical coups d'état, assassinations, labor unrest, communist election victories in Western "democracies". Almost anything.

The Arabs will be wise to take a cue from their American friends and prepare just one contingency plan covering a — hopefully — hypothetical situation when all the Middle East peace efforts break on the rock of Israeli intransigence and religious fantasy. As far as we know the Arab confrontation and support states continue to work for an American-sponsored negotiated settlement in the Middle East. There is no good reason why they should give up now. The attitude of President Carter himself is encouraging, albeit ineffective, and since the Arabs have pursued peace to the exclusion of everything else they might as well stick with it.

But the Americans themselves are admitting difficulties and "wide gaps" that persist. And President Carter is still undecided about what to do next. By the time he makes up his mind, it may be another year. The Arab leaders have promised their peoples, and themselves, progress toward peace this year. Ergo, a contingency plan becomes necessary.

And without beating around the bush, it will have to be a plan for war — protective or defensive. Like pregnancy: if it's not a boy it's a girl, the Middle East can only choose between war and peace. The no war, no peace situation has already outlived its purpose. Preparing for war, however, does not necessarily mean fighting it. Perhaps one reason why the peace efforts are not progressing today is that the Arab states directly concerned have concentrated on peace to the exclusion of the other option that the Israelis have decided that since the Arabs are too weak to fight there is no reason to make peace with them. So the ability to fight a war itself may take the region back to the threshold of peace. The Arab confrontation and support states have all the men and money needed to start building the kind of military ability necessary to defend Arab rights.

If the Arabs do build the necessary military machine eventually, they will again be honoring a long-standing American political principle to talk softly but carry a big stick. The Americans have always honored this principle but have not been able to apply it successfully always. Maybe the Arabs will have better luck with it.

But seriously, the Arabs will better hurry up with their contingency plan because the situation necessitating it seems less and less hypothetical all the time.

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NOT SO BAD

The Israelis and Soviets are talking with glee about the "failure" of Secretary Vance's mission to the Middle East but the Arabs have no reason to be depressed. They are not giving President Carter his due, even if his secretary's mission has failed to achieve progress on procedural or substantive issues. The problem is that the Arabs are so deeply involved in the political struggle that they cannot, or are unable, to stop and look around. But if someone is looking from a vantage point 10,000 miles away, the improvement in the Arab position since President Carter took over the presidency in January is considerable.

That does not mean that the Arabs will have their own version of a just peace tomorrow. President Carter does not carry a magic wand and he certainly does not hold "99 per cent of the cards in the Middle East game" as President Sadat has repeatedly assured his people. If he did, and the "game" involved a normal deck of 52 cards, that would give all the other players half a card, which is ridiculous.

Mr. Carter, as a born-again Baptist, possibly dislikes card games anyway. He is a graduate of the political arena of a state legislature and his record indicates that he has won more fights than he should have. He is in his mettle when it comes to party in-fighting and this is exactly what he is doing with Congress and Israel. He may not dance like a butterfly but he can certainly sting like a bee. It is always one or two quick jabs and then he is back feigning on the ropes.

How does that translate into day-to-day politics? The jabbing and rope routine is clear in Mr. Carter's surprise statements about Middle East peace or the Palestinians. After a jab like his remark on a "homeland" for the Palestinians, he lies low for a while and takes time to assure the Israelis and their hordes on Capitol Hill that in fact he was only reflecting his understanding of U.S. policy all along. The Israelis are only half-assured and the Arabs are annoyed at the volte-face. But a few weeks later, President Carter mentions the "homeland" in the context of another surprise like compensation for the Palestinians. And while everyone is debating the compensation issue and the president is again feigning on the ropes, the original "homeland" surprise loses its novelty and becomes an accepted part of the U.S. policy.

In this context, Mr. Vance's mission was not as much of a failure as the Israelis think or would like other people to think. Mr. Carter, with the help of Mr. Vance, has jabbed his way into a new position on the Palestinians. Israeli Foreign Minister Moshe Dayan had to concede as the secretary of state flew to London that the U.S. was on its way toward negotiations with the Palestinians. The Israelis may not accept this but they, in the words of Dayan, have already indicated that they will have to live with it. And since the U.S. and the Palestinians have no quarrel of their own, it can be safely assumed that their negotiations will lead to a role for the Palestinians in Geneva.

But we hate to think of President Carter as too clever by half. There are inherent dangers in this policy. It is time consuming and there is not that much time to consume. At the present pace of progress it would be October 1978 before the adversaries meet in Geneva or elsewhere to discuss peace. The Arab governments and Israel are under various kinds of pressure for action. President Sadat cannot ignore for long a stained economy and a restive population. President Assad is not so sure anyway that he wants a negotiated settlement. And Menachem Begin, whose country is under far more economic stress than Egypt, has just the type of terrorist background to force action upon everyone else.

Nevertheless, we can only say, in reference to Mr. Carter, "So far so good." The Arabs need only to remember that Hubert Humphrey would have become a president if he had actively sought the nomination instead of waiting for it. And at one point last year, Henry Jackson was given a fair chance of becoming president. And who was that Jewish governor from Pennsylvania who offered his candidacy? Things are not that bad after all.

ISRAELI DEFIANCE

The Israeli government's decision to change the status of the West Bank and the Gaza Strip by offering the Arabs in these areas "equal rights" with Israelis, is another ill-disguised attempt to remove the occupied territories from consideration at any future Geneva conference. The Likud government, frightened by American efforts to draw the Palestinians into the negotiating process and clear the way for some kind of Palestinian homeland, is trying desperately to "legitimize" its occupation of Arab land, by casting itself in the role of the benevolent ruler bringing justice and enlightenment to the "natives". The Begin government's decision is not only misleading; it is downright provocative.

The Begin move follows on the heels of the government's recognition of a handful of illegal Jewish settlements in the West Bank. The settlement recognition decision was bluntly criticized by the United States; the "equal rights" charade is just as worthy of condemnation, if not more so. Begin is openly challenging the United States on the West Bank issue. He is claiming that his new move does not constitute annexation of the West Bank because that occupied territory "is already part of the land of Israel." President Carter certainly recognizes impudence and defiance when he sees it; it is to be hoped that his reaction to this latest Begin brainchild will be swift and unequivocal. At a time when the PLO is making conciliatory gestures in an effort to find a fair solution to the Middle East conflict, Begin's own stand is becoming harder than the Wailing Wall. If Washington does not act soon to temper his belligerence, the peace-making process may collapse completely before the year is out.

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THE PRESIDENT HAS SEEN,

THE WHITE HOUSE

WASHINGTON

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September 16, 1977

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MEMORANDUM FOR:

THE PRESIDENT
THE VICE PRESIDENT

FROM:

BOB LIPSHUTZ *g f*
STU EIZENSTAT *Stu*

SUBJECT: "Last Draft" of Bakke Brief

The Solicitor General and the Assistant Attorney General for Civil Rights and their staffs have obviously worked very hard on the brief and have produced a fine product. It is a substantial improvement over previous drafts and takes the generally positive thrust toward affirmative action that the Administration should take. We would only raise the following point:

The major problem with the brief -- and one that is easily rectified -- is that the brief nowhere states as a matter of policy the second of the four points in the agreed-upon statement of principles which the President approved -- namely that, in the words of the Solicitor General's statement, "rigid, inflexible racial quotas -- which have the effect of barring people who may have disadvantages similar to those of racial minorities from participation in certain programs solely because of their race -- do not pass constitutional muster." There are several places in the brief where a simple, affirmative paragraph to this effect could easily be placed, for example on Page 42 or at the end of Page 57.

Such a simple statement is important to give the brief balance and to reaffirm the position the President has always taken. There simply is no direct statement in the brief that we oppose rigid and inflexible quotas based solely on race. In this regard we think that the following sentence on Page 22 should be stricken: "Such a design often will require categorical use of race rather than case by case determinations." The paragraph is sufficiently strong without this sentence and the term "categorical use of race" is unclear and the type of language which might be used out of context.

There are a few other technical matters that we will raise independently with Judge Bell.

cc: The Attorney General

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THE WHITE HOUSE

WASHINGTON

September 16, 1977

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MEMORANDUM FOR:

THE PRESIDENT
THE VICE PRESIDENT

FROM:

BOB LIPSHUTZ
STU EIZENSTAT

[Handwritten initials]
[Handwritten signature]

SUBJECT: "Last Draft" of Bakke Brief

There is one additional point which we did not want to mention in the attached memo, which may be circulated to the Justice Department.

The Justice Department brief calls for reversing the California Supreme Court's decision on the law, because the California Court erroneously ruled that minority status cannot be used as a criterion for affirmative action.

As to Bakke himself, the brief recommends that the California judgment (admitting Bakke to medical school) be vacated and that the case be remanded, to build an adequate factual record and apply a correct legal standard.

The fourth of the Solicitor General's principles suggested an additional alternative -- we had also mentioned -- that the Supreme Court vacate its writ of certiorari as improvidently granted. This would mean that the Court simply would not review the case because of the inadequate factual record. It would have the effect of leaving the California judgment in force and thus admitting Bakke -- something you indicated you would like to do, if possible. However, this would mean that the legal standard set out by the California Supreme Court outlawing affirmative action would continue to apply in the State of California and might well be cited as a precedent in other states and conceivably for federal programs as well. In view of this, we believe the Justice Department decision to drop this approach was justified.

What the Justice Department brief now suggests is that Bakke's own situation be reviewed and resolved again by the California Courts using a different legal standard and a better factual record. The federal government would take no position as to whether Bakke should in fact be admitted. We think this is appropriate.

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In our view, the facts do not show whether a rigid quota was or was not involved. Although the Davis Medical School's Special Admissions Committee does appear to have recommended only minority applicants, these recommendations were reviewed by the regular Admissions Committee -- and it is unclear whether the regular committee did this on a competitive basis with other applicants.

THE PRESIDENT'S SCHEDULE

Friday - September 16, 1977

7:30 Breakfast with Vice President Walter F. Mondale, Secretary Cyrus Vance and Dr. Zbigniew Brzezinski - Roosevelt Room.

8:30 Dr. Zbigniew Brzezinski - Oval Office.

9:00 Mr. Frank Moore - The Oval Office.

10:00 Mr. Jody Powell - The Oval Office.

10:30 Meeting with His Excellency Raymond Barre,
(45 min.) Prime Minister of the French Republic.
(Dr. Zbigniew Brzezinski) - Cabinet Room.

11:30 Mr. Charles Schultze - The Oval Office.
(20 min.)

1:00 Meeting with Editors. (Mr. Jody Powell).
(30 min.) The Cabinet Room.

2:00 Meeting with the Advisory Committee on
(10 min.) Federal Pay. (Mr. Bert Lance) - Cabinet Room.

2:30 Interview with Mr. Jack Anderson. (Mr. Jody
(30 min.) Powell) - The Oval Office.

3:45 Drop-By Panama Canal Briefing for U.S. Jaycees.
(10 min.) (Mr. Hamilton Jordan) - The State Dining Room.

4:30 Depart South Grounds via Helicopter en route
Camp David.